Central Bank of Trinidad & Tobago

Economic Bulletin

February 2015

Economic Bulletin

PART I – OVERVIEW

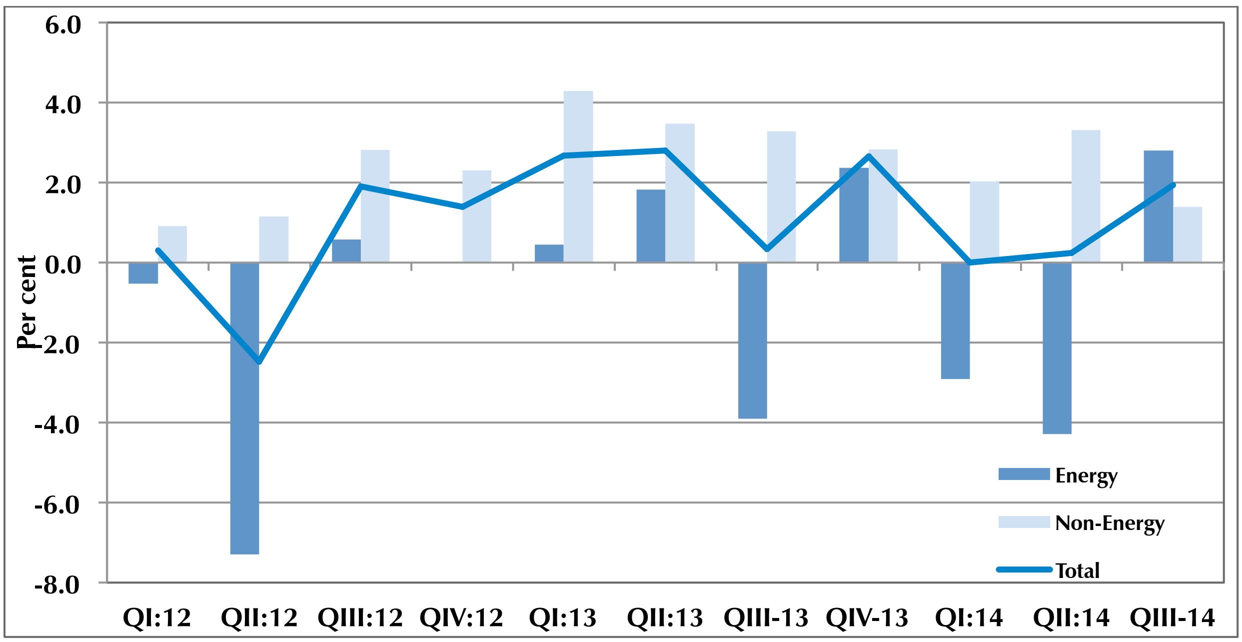
Even as weak economic activity persists in several advanced economies, the economic landscape has changed dramatically in the past few months on account of a significant oil price shock and building external vulnerabilities in emerging market and developing economies. In its latest World Economic Outlook update, the International Monetary Fund revised downwards its projection for global growth to 3.5 per cent in 2015 from its earlier estimate of 3.8 per cent made in October 2014. While lower oil prices are likely to be growth-supportive, uncertainty surrounding changes in global energy markets and medium term challenges facing major economies may mitigate against any strong boost.

The US economy maintained its positive growth momentum during the second half of 2014. In the third quarter of 2014, the US economy expanded at an annualized rate of 5.0 per cent on account of higher consumer spending, exports and government spending. Preliminary estimates suggest the US economy slowed to 2.6 per cent in the final quarter of 2014. Labour market conditions continued to improve with the unemployment rate falling to 5.6 percent in December 2014 – the lowest since June 2008. Having concluded its Asset Purchase Programme in October 2014, the Federal Reserve reiterated at its January 2015 meeting that the current target range for the federal funds rate remains appropriate. However, lower oil prices have intensified a disinflationary trend, making it more difficult for the Fed to achieve its 2 percent target inflation rate.

The UK economy grew marginally in the fourth quarter of 2014. Based on the weak outlook for economic growth and expectations inflation may continue to be under target, the Bank of England maintained its Asset Purchase Programme at £375 billion and benchmark interest rate at 0.5 per cent. Despite a return to growth in Germany and France during the third quarter of 2014, deflation risks in the Euro area heightened when headline inflation entered negative territory. As a result, the European Central Bank (ECB) launched its first quantitative easing programme in January 2015.

A revival of energy sector activity facilitated an uptick in real GDP growth in Trinidad and Tobago during the third quarter of 2014. Provisional estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) Index indicated real output increased by 1.9 per cent on a year-on-year basis, following flat growth during the first half of 2014 **(Chart I)**. Increased output of natural gas and petrochemicals facilitated a 2.8 per cent (year-on-year) expansion in the energy sector during the third quarter following two successive quarters of decline. The Other Petroleum sub-sector rose by 2.6 per cent largely on account of increased exploration and production activity in the third quarter. This was based on growth of 3.6 per cent in natural gas production compared with a reduction of 4.6 per cent in the third quarter of 2013 when large-scale maintenance activity limited production at major gas companies. Refining activity grew by 2.6 per cent during the same period, mainly due to increased LNG output (5.4 per cent) which more than compensated for the decline in petroleum refining (16.9 per cent). The Petrochemicals sub-sector continued to perform creditably, expanding by 4.2 per cent in the third quarter, reflecting significant improvements in the output of ammonia (9.2 per cent) and urea (9.9 per cent).

Chart I
Trinidad and Tobago: Real GDP Growth
(Year-on-Year Per cent Change)



Source: Central Bank of Trinidad and Tobago.

The latest official data on the labour market indicated the unemployment rate fell to a historic low of 3.1 per cent during the first quarter of 2014. This represents an improvement from the 3.8 per cent registered in December 2013. Declining unemployment was associated with a rise in job creation and stronger labour force participation. Employment gains were strongest in the community, social and personal services and to some extent in the manufacturing, electricity and water, and agriculture sectors.

Information from the Ministry of Finance and the Economy point to a better than anticipated fiscal outturn for fiscal year (FY) 2013/2014 while a fiscal surplus was recorded for the first quarter of FY 2014/2015 (October-December 2014). The Central Government recorded an overall deficit of $2,720.0 million (1.5 per cent of GDP) during FY 2013/2014. This outturn was well below the deficit of $4,908.4

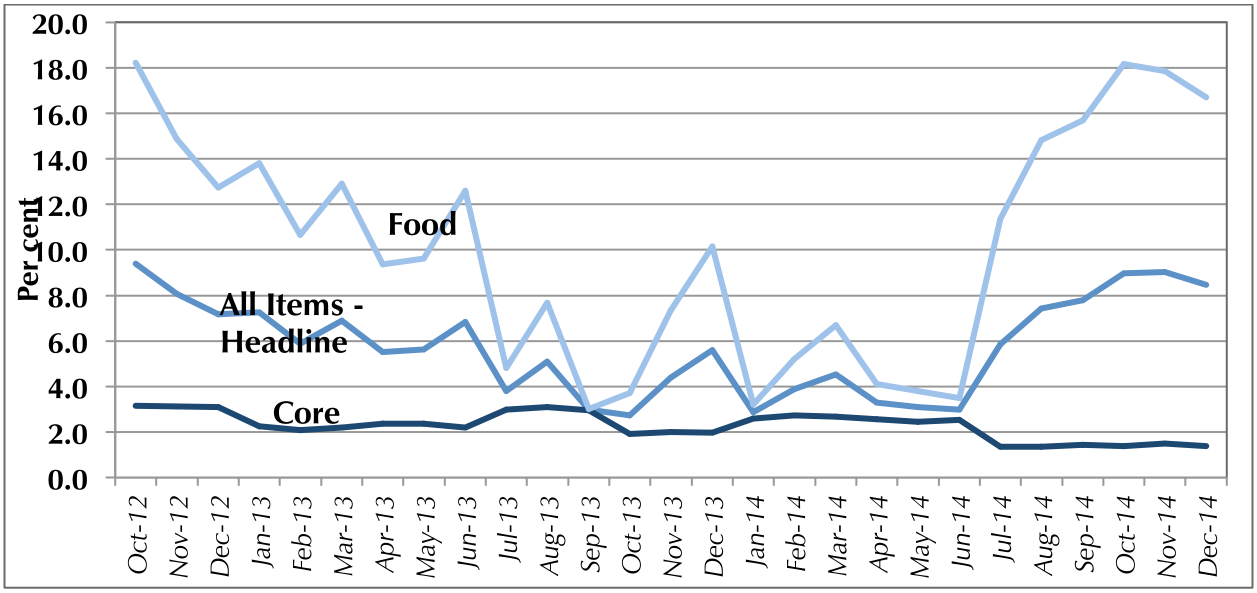
million recorded in FY 2012/2013 and was mainly due to increased capital revenue in the form of higher dividends from the National Gas Company of Trinidad and Tobago (NGC). Provisional data show the Central Government realized a small fiscal surplus of $328.4 million in the first three months of FY 2014/2015, compared to a surplus of $4,150.4 million in the corresponding period a year ago. Total revenue fell by 17.4 per cent, due to significant declines in capital and non-energy revenue, while government expenditure increased, albeit marginally. Provisional data showed that public sector debt outstanding increased to $109.2 billion during the first quarter of FY 2014/2015, equivalent to 59 per cent of GDP. This reflected two government bonds raised on the domestic market for budgetary support. Excluding debt issued for sterilization purposes, total public debt amounted to $74.3 billion or 40.2 per cent of GDP.

Headline inflation accelerated during the second half of 2014 after an earlier period of moderation. During the second half of 2014, headline inflation rose to a monthly average of 7.9 per cent compared to a monthly average of 3.4 per cent during the first half of the year **(Chart II)**. Concurrently, core inflation which excludes food prices, slowed to an average of 1.4 per cent in the second half of 2014, from an average of 2.6 per cent during the first half of 2014. Food inflation registered in the double digits during the second half of 2014, averaging 15.8 per cent during July to December 2014 when compared to 4.4 per cent over the first half of the year. Supply constraints due to production curtailments at Caroni Green Limited and flooding in key agricultural areas were the primary reasons for the uptick in food inflation towards the end of 2014. Separately, growth in building material prices jumped to 3.1 per cent in the third quarter of 2014 from 1.5 per cent in the first quarter, while wholesale prices inflation as well as international food prices trended downward during 2014.

Chart II

Index of Retail Prices

(Year-on-Year Per cent Change)



Source: Central Statistical Office.

After holding the Repo rate at 2.75 per cent for two years, the Central Bank began to signal a shift from its accommodative monetary stance in the latter half of 2014, increasing the repo rate to 3.5 per cent following three consecutive 25-basis point increases between September 2014 and January 2015. Following the increases in the repo rate, the prime lending rate for commercial banks has increased to 7.75 per cent in December from 7.50 per cent in June 2014. These increases are likely to provide upward momentum to other bank interest rates in 2015.

With sustained growth in the non-energy sector over the last year, growth in credit to the private sector by the consolidated financial system maintained its steady pace in the second half of 2014. Credit to the private sector by the consolidated financial system rose by 5.8 per cent (year-on-year) in November 2014, compared to a 7.3 per cent increase in June 2014. Buoyant consumer demand saw 7.1 per cent growth (year-on-year) in loans to consumers in November 2014, compared with growth of 7.3 per cent in June 2014. Similarly, real estate mortgage lending expanded by 11.7 per cent (year-on-year) in November 2014, up from 10.0 per cent in June 2014. Although the recovery of loans to the business sector persisted, the rate of recovery slowed to 1.9 per cent (year-on-year) in November 2014, compared with growth of 7.5 per cent in June 2014. Credit growth was assisted by a declining weighted average lending rate which reached 8.03 per cent in September 2014 from 8.28 per cent in March 2014.

On account of large fiscal injections, excess liquidity continued to prevail in the banking system. Net domestic fiscal injections increased to $7.5 billion in the second half of 2014, up from $5.0 billion in the first half of the year. Three Central Government bonds matured during October and November further exacerbating the liquidity position by an additional $1.5 billion. Central Bank's intervention via open market operations accounted for the removal of $10.1 billion from the financial system in the second half of 2014 while sales of foreign exchange to authorized dealers indirectly removed a total of $6.4 billion from the financial system.

On the external sector, the country's balance of payments recorded a surplus of $132.3 million over the first nine months of 2014. Gross official reserves as at December 2014 amounted to $11.3 billion, representing 12.7 months of prospective imports of goods and non-factor services. Trinidad and Tobago's international price competitiveness, as measured by the trade weighted real effective exchange rate, weakened by 4.1 per cent at the end of 2014. The reduced competitiveness of the country's exports was on account of higher domestic prices relative to the country's major trading partners coupled with a marginal appreciation in the exchange rate.

In December 2014, Standard and Poor's Ratings Services (S&P) affirmed Trinidad and Tobago's 'A' long-term foreign and local currency sovereign credit ratings. The international rating agency cited the country's net external asset position, low external vulnerabilities, and stable political system as the primary reasons for the positive outlook. It also noted that the energy sector sustains long-term growth prospects while providing substantial fiscal revenues that should allow the government to maintain moderate debt levels. S&P, however, pointed out that failure to take timely and sufficient steps to address potential deterioration of the fiscal and external profile in the face of falling energy prices could result in a ratings downgrade. A ratings upgrade is possible should initiatives to enhance energy exploration and production, along with steps to strengthen non-energy fiscal revenues, yield success.

The fall in crude oil prices since September 2014 (55 per cent) could represent an exogenous shock to the economy of Trinidad and Tobago. Although close to three-quarters of energy revenue accrues from natural gas, weaker oil prices are expected to eventually affect those gas markets whose contracts are indexed to oil prices. Revenue concerns prompted the Government to revise the 2014/2015 budget in early 2015. The revised budget for FY2015[1] is based on a crude oil price of US$45 per barrel and a natural gas price of US$2.25 per mmbtu, giving rise to a revenue shortfall of $7.4 billion when compared to the original budget. In order to avert a severe deterioration of the fiscal deficit, the Government reviewed the Public Sector Investment Programme (PSIP) and certain elements of recurrent expenditure with the aim of reducing total expenditure by $4.5 billion. Key expenditure measures include halting of

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[1] The original budget for FY 2014/2015 was premised on a crude oil price of US$80 per barrel and a natural gas price of US$2.75 per mmbtu.

infrastructure projects for which funding has not yet been confirmed, more than $1 billion in savings on the petroleum subsidy and lower expenditure on non-critical goods and services and allocations in selected ministries by 15 per cent. Government expects to offset any additional revenue shortfall through proceeds from the sale of state assets through Initial Public Offerings (IPOs).

PART II – OUTLOOK

Global growth is likely to strengthen in 2015 especially as the U.S. economy recovers. The International Monetary Fund (IMF), in its latest forecasts, put global economic growth at 3.5 per cent in 2015, up from an estimated 3.3 per cent in 2014. This growth will be assisted by the low oil price environment, which is expected to persist for much of 2015. Growth in advanced economies is estimated at 2.4 per cent in 2015 compared to 1.8 per cent in 2014, largely on account of increased momentum in the US economy. However, activity in the Euro area is expected to remain relatively subdued in 2015 as economies, particularly those in the periphery, grapple with financial fragmentation, high debt and elevated unemployment. Deflation risks are also becoming more prominent. Emerging and developing economies will continue to contribute the bulk of global growth, but the pace of growth will be decidedly slower because of domestic structural issues as well as adverse exogenous factors. As advanced economies continue to expand, the Caribbean region is likely to benefit through increased tourist arrivals. This could be an important fillip for growth in the tourist-dependent economies, though easing of travel restrictions on Cuba could result in some destination diversion within the Caribbean. In addition, ongoing macroeconomic challenges in a number of Caribbean economies may limit growth prospects.

Downside risks to global growth include increased geopolitical tensions, financial market shocks in response to monetary policy normalization in the US and macroeconomic disappointments in systemically important countries. Regarding geopolitical tensions, increased strife in the Middle East or further unrest between Russia and Ukraine can trigger a sharp rise in oil prices, a disruption in the transportation of natural gas or crude oil or an escalation of sanctions and counter-sanctions, thereby disrupting trade and finance. The risk of deflation in several advanced economies, particularly in the Euro area, continues to pose a threat to global activity. Meanwhile a faster-than-expected increase in US interest rates may ignite significant capital outflows in several developing and emerging economies, giving rise to possible sharp asset re-pricing and currency volatility.

With the expectation of slightly higher levels of domestic energy production, real GDP growth in Trinidad and Tobago is expected to increase in 2015. Non-energy GDP growth, however, may moderate due to falling domestic demand as the government's ability to stimulate activity could be constrained by lower revenues. The January 2015 recalibration of the national budget signals a downshift in government expenditure, but the impact on growth may not be as severe given that spending in critical areas such as healthcare, education, housing and security will continue. Unemployment is expected to remain low, but inflationary pressures may persist given the volatility in food prices.

Table 1

Summary Economic Indicators

(Percentage change unless otherwise indicated)

	2009	**2010**	**2011**	**2012**	**2013**	**2014**
INTERNATIONAL						
World Output[1]	**0.0**	**5.4**	**4.1**	**3.4**	**3.3**	**3.3**
Advanced Economies	-3.4	3.1	1.7	1.2	1.3	1.8
Emerging and Developing Markets	3.1	7.5	6.2	5.1	4.7	4.4
DOMESTIC ECONOMY						
Real Sector Activity						
Real GDP (y-o-y)	-3.4	-0.3	-1.2	0.3	2.1	0.7*
Energy	1.3	1.8	-3.7	-1.9	0.2	-1.5*
Non-Energy	-6.6	-1.8	0.6	1.8	3.5	2.2*
Headline Inflation (end-of-period)	1.3	13.4	5.3	7.2	5.6	9.0**
Headline Inflation average)	7.0	10.5	5.1	9.3	5.2	**5.4*****
Core Inflation average)	4.1	4.3	1.7	2.5	2.4	2.0***
Unemployment Rate	5.3	5.9	4.9	5.0	3.7	3.1 ^
Fiscal Operations[2]						
Central Government Fiscal Balance (percent of GDP)	-4.9	0.1	-0.8	-1.4	-2.9	-1.5
Public Sector debt[3] (per cent of GDP)	30.9	35.3	32.6	41.2	38.6	41.6
Money and Finance						
Commercial Banks Credit to the Private Sector (y-o-y)	-4.4	0.5	6.5	3.9	4.7	7.0 ˜
Broad Money Supply (M2) (y-o-y)	27.0	5.0	13.9	10.6	8.8	8.9˜
External Sector						
Current Account Balance (per cent of GDP)	8.5	19.7	11.9	3.3[p]	6.7[p]	8.5[p*]
Net Official Reserves (US$ Million)	8,651.6	9.070.0	9,822.7	9,200.7	9,987.0	11,316.6
Net Official Reserves (in months of prospective imports)	11.9	13.1	13.5	10.4	12.0	12.7

Sources: Central Bank of Trinidad and Tobago, Ministry of Finance and the Economy, Central Statistical Office and the International Monetary Fund

[P] Provisional

[1] Sourced from IMF World Economic Outlook Update January 2015

[2] On a fiscal year basis (October – September).

[3] Represents balances (revised) at the end of the fiscal year and excludes all securities issued for Open Market Operations (OMOs) including: Treasury Bills and Notes, Debt Management Bills and Liquidity Absorption Bonds.

* For the period January - September 2014.

** As at November 2014.

^ For the period January to March 2014.

~ As at October 2014.

PART III – INTERNATIONAL ECONOMIC DEVELOPMENTS

INTERNATIONAL ECONOMIC DEVELOPMENTS

The US economy maintained its positive growth momentum during the second half of 2014. In the third quarter of 2014, the economy expanded at an annualized rate of 5.0 per cent as consumer spending and exports continued to grow **(Table 2)**. Preliminary estimates indicate growth decelerated to 2.6 per cent in the final quarter of 2014 due to higher imports and lower government spending. Labour market conditions continued to improve in December 2014, as the unemployment rate fell to its lowest level since 2008 **(Table 3)**. In light of these developments as well as the expectation that inflation is likely to remain subdued, the Federal Reserve concluded its Asset Purchase Programme in October 2014. Furthermore, following its January 2015 meeting, the Fed reiterated that the current target range for the federal funds rate remains appropriate and that the institution can be patient in beginning to normalize its monetary policy stance. However, the Fed indicated that if progress towards meeting its employment and inflation objectives is faster than expected, an increase in its policy interest rate may occur sooner than markets currently anticipate.

Table 2
Advanced Economies – Quarterly GDP Growth
(Quarterly Per Cent Change)

	2013				2014			
	I	II	III	IV	I	II	III	IV
United States[1]	2.7	1.8	4.5	3.5	-2.1	4.6	5.0	2.6
United Kingdom	0.6	0.6	0.7	0.4	0.6	0.8	0.7	0.5
Euro Area	-0.4	0.3	0.2	0.2	0.3	0.1	0.2	n.a.
Japan	1.5	0.7	0.4	-0.4	1.4	-1.7	-0.5	n.a.

Source: Bloomberg.

[1] Adjusted at annual rates.

Table 3
Rate of Unemployment in Advanced Economies
(Per Cent)

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
United States	6.1	6.2	6.1	5.9	5.7	5.8	5.6
United Kingdom	6.3	6.2	6.0	6.0	6.0	5.8	n.a.
Euro Area	11.5	11.6	11.5	11.5	11.5	11.5	11.4
Japan	3.7	3.8	3.5	3.6	3.5	3.5	3.4

Source: Bloomberg.

The UK economy grew at a slower rate of 0.5 per cent in the fourth quarter of 2014, following growth of 0.7 per cent in the previous quarter. The deceleration was mainly attributable to a contraction in the construction sector. The annual rate of change in the Consumer Price Index (CPI) was recorded at a 12-year low of 0.5 per cent in December 2014, well below the 2 per cent inflation target **(Table 4)**. Given the still weak outlook for near-term economic growth and the expectation inflation would continue to undershoot its target over the medium term, the Bank of England maintained its Asset Purchase Programme at £375 billion and kept the benchmark interest rate unchanged at 0.5 per cent.

Table 4
Headline Inflation in Developed Economies
(Year-on-Year Per Cent Change)

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
United States	2.1	2.0	1.7	1.7	1.7	1.3	0.8
United Kingdom	1.9	1.6	1.5	1.2	1.3	1.0	0.5
Euro Area	0.5	0.4	0.4	0.3	0.4	0.3	-0.2
Japan	3.6	3.4	3.3	3.2	2.9	2.4	2.4

Source: Bloomberg.

The Euro Area continues to experience a slow and fragile recovery. Output rose by 0.2 per cent in the third quarter of 2014, slightly higher than the increase of 0.1 per cent in the previous quarter. The region's two largest economies, Germany and France, returned to very modest growth of 0.1 per cent and 0.3 per cent, respectively, in the third quarter. While spurts of growth temporarily arrested fears of a triple dip recession, concerns about deflation intensified when inflation in December 2014 dipped into negative territory. In the face of these downside risks to inflation, the European Central Bank launched its first quantitative easing program in January 2015. Meanwhile, speculation about Greece's exit from the European Union continue to mount following the victory of the Syriza party at the snap general elections in January 2015 and the start of what is likely to be protracted negotiations over the country's bailout program.

Following the implementation in April 2014 of a national sales tax hike, Japan's economy slipped back into recession. After a decline of 1.7 per cent in the second quarter, real GDP contracted by 0.5 per cent during the third quarter of 2014. These declines came on the heels of the national sales tax which was implemented in April to partly reduce national debt. Further, while the first two measures of Prime Minister Shinzo Abe's three-pronged economic revival plan — monetary and fiscal stimulus — boosted growth in 2013, his third measure — structural reforms — have proven to be more challenging to implement. Prime Minister Abe's decision to call a snap election in December 2014 and postpone a second increase in the sales tax prompted Moody's Investors Service to downgrade the Government of Japan's debt rating from Aa3 to A1. Nevertheless, following his re-election, the Prime Minister approved a ¥3.5 trillion (US$29 billion) stimulus package aimed at bolstering the Japanese economy. Given the weak growth prospects, the Bank of Japan maintained its benchmark interest rate in a range between 0 per cent and 0.1 per cent and expanded its Asset Purchase Programme by ¥10 trillion to ¥80 trillion (US$670 billion).

A gentle slowdown in economic activity was recorded in China as the authorities sought to reorient the economy towards consumption-led growth. Economic growth in China was recorded at 7.3 per cent (year-on-year) in the fourth quarter of 2014, unchanged from the previous quarter **(Table 5)**. In 2014, the Chinese economy expanded by 7.4 per cent, slightly below the target of 7.5 per cent and the slowest rate of growth since 1990. Given relatively contained inflation, the Bank of China reduced its benchmark interest rate from 6 per cent to 5.6 per cent in November 2014. This was the first rate cut since July 2012. The Bank stated that this measure was aimed at returning the interest rates to a more reasonable level and was intended to ease financing difficulties currently faced by the corporate sector. In early February 2015, the Bank of China cut its required reserve ratios by 50 basis points, for the first time since May 2012.

Similarly, India's economic growth decelerated to 5.3 per cent in the third quarter of 2014, from 5.7 per cent during the previous quarter. The slowdown was due to lower output from the manufacturing sector. In an unscheduled meeting on January 15 2015, the Reserve Bank of India reduced its benchmark interest rate by 0.25 per cent to 7.75 per cent. As the newly elected government prioritizes economic reforms to bolster the business environment and economic growth, changes to the investment climate are expected to contribute significantly to these efforts.

Table 5

Emerging Economies – Quarterly GDP Growth

(Year-on-Year Per Cent Change)

	2013				2014			
	I	II	III	IV	I	II	III	IV
China	7.7	7.5	7.8	7.7	7.4	7.5	7.3	7.3
India	4.4	4.7	5.2	4.6	4.6	5.7	5.3	n.a.
Russia	0.8	1.0	1.3	2.0	0.9	0.8	0.7	n.a.
Brazil	1.9	3.5	2.4	2.2	1.9	-0.9	-0.2	n.a.

Source: Bloomberg.

Russia is experiencing weak growth prospects as the country is currently embroiled in a currency crisis and faces sanctions imposed by Western governments. In an emergency meeting held in December 2014, the Central Bank of Russia raised its key interest rate from 10.5 per cent to 17 per cent, citing increased currency depreciation and inflation risks. This was the sixth increase for the year and the largest single increase since 1998. Russia is grappling with restoring confidence in its financial system which is facing its largest capital outflows in six years amid western sanctions over Ukraine and falling energy prices. Further, investor confidence continues to be undermined as speculation mounts regarding the possible imposition of capital controls.

In the third quarter of 2014, economic growth in Brazil contracted by 0.2 per cent (year-on-year) from a contraction of 0.9 per cent in the previous quarter. The annual inflation rate slowed to 6.4 per cent in December 2014 but was still well above its 4.5 per cent target **(Table 6)**. Further, the Central Bank of Brazil raised its benchmark Selic rate by 50 basis points to 11.75 per cent in December 2014, the highest since August 2011.

Table 6
Headline Inflation in Emerging Economies
(Year-on-Year Per Cent Change)

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
China	2.3	2.3	2.0	1.6	1.6	1.4	1.5
India	6.5	7.2	6.8	6.3	5.0	4.1	5.9
Russia	7.8	7.5	7.6	8.0	8.3	9.1	11.4
Brazil	6.5	6.5	6.5	6.8	6.6	6.6	6.4

Source: Bloomberg.

PART IV – REGIONAL ECONOMIC DEVELOPMENTS

REGIONAL ECONOMIC DEVELOPMENTS

Economic growth remains muted in the Caribbean region (Table 7). Countries in the Eastern Caribbean Currency Union continued to experience sluggish growth, weak economic conditions persisted in Barbados while economic prospects improved somewhat in Jamaica. In contrast, activity was stronger in the commodity-exporting economies of Suriname and Guyana.

Jamaica

Earlier in 2014, Jamaica's progress in meeting its IMF targets prompted positive reactions from investors including an upward revision of the country's long-term sovereign outlook to positive from stable by Standard and Poor's. Jamaica also successfully regained access to the international capital markets and issued its largest US-dollar bond in the country's history in July 2014 with a face value of US$800 million. Inflation decelerated from 7.4 per cent (year-on-year) in November 2014, to 6.4 per cent in December 2014. The unemployment rate also declined to 13.4 per cent in January 2014, from 14.9 per cent in October 2013. Jamaica's current account deficit narrowed to 9.7 per cent of GDP in the third quarter of 2014, slightly lower than the 10.2 per cent of GDP in the year-earlier period. Net international reserves also increased to US$2 billion at the end of 2014. However, following an expansion of 1.9 per cent (year-on-year) in the second quarter of 2014, economic growth declined by 1.4 per cent (year-on-year) in the third quarter of 2014. This decline was due mainly to the agriculture sector which was negatively impacted by severe drought conditions.

Barbados

Depressed economic conditions continued to affect the Barbadian economy. Constrained by the government's fiscal adjustment strategy, the economy is estimated to have grown by 0.3 per cent in 2014, following a flat outturn in 2013. With limited fiscal space prompting public sector layoffs, the unemployment rate remained elevated, averaging 12.5 per cent in the first nine months of 2014, from 11.2 per cent in the corresponding period of 2013. Inflation continued to be subdued and was recorded at 2.5 per cent (year-on-year) in October 2014.

Guyana

Owing to favorable commodity prices, economic growth in Guyana averaged 3.2 per cent in the first six months of 2014. The agriculture sector provided a fillip to economic activity on the strength of the sugar, rice and forestry sub-sectors. This was primarily due to higher international prices and favourable weather conditions. In the first half of 2014, the current account deficit narrowed to roughly 13.1 per cent of GDP due to a lower merchandise trade deficit and a higher net inflow of current transfers.

International reserves continued a downward trend, following the Bank of Guyana's intervention in the foreign exchange market to stabilize the exchange rate.

Suriname

Suriname's economy grew by an estimated 2.9 per cent in 2013, driven by investment activity and expansion of the services sector. Inflation decelerated to 3.9 per cent in December 2014, from 4.2 per cent in the previous month. Meanwhile, the current account deficit worsened to US$94.5 million in the third quarter of 2014 from a deficit of US$71.1 million for the same period in 2013. International reserves continued on its downward trajectory, reaching US$604.4 million in November 2014 compared with US$735.9 million in January 2014.

Table 7

Selected Macroeconomic Indicators for the Caribbean

/Per Cent/

Indicator	Country	2010	2011	2012	2013	2014[e]
General Government Debt/GDP	Antigua and Barbuda	90.8	92.4	87.1	94.3	97.2
	The Bahamas	43.2	44.9	48.4	56.3	60.1
	Barbados	70.3	76.5	86.2	97.2	102.0
	Belize	83.2	79.4	75.1	75.8	76.6
	Dominica	68.8	69.7	73.3	75.1	75.6
	Dominican Republic	23.8	25.1	29.5	33.5	35.5
	Grenada	97.6	100.9	103.1	109.8	111.3
	Guyana	65.2	65.2	62.6	56.9	57.8
	Haiti	17.5	12.0	16.4	21.3	24.5
	Jamaica	143.4	141.7	146.5	141.6	139.9
	St. Kitts and Nevis	159.3	151.7	137.3	103.1	86.2
	St. Lucia	62.6	67.0	74.1	79.6	84.6
	St. Vincent and the Grenadines	65.4	67.7	72.2	74.0	78.1
	Suriname	18.5	20.4	22.2	29.8	33.5
	Trinidad and Tobago	35.3	32.6	41.2	38.6	41.6
Current Account Balance/GDP	Antigua and Barbuda	-14.7	-10.4	-13.8	-14.1	-15.3
	The Bahamas	-10.1	-15.2	-18.2	-19.4	-16.6
	Barbados	-5.8	-12.8	-9.5	-10.4	-8.8
	Belize	-2.4	-1.1	-1.2	-4.5	-5.4
	Dominica	-17.4	-14.5	-18.9	-16.6	-16.6
	Dominican Republic	-7.4	-7.5	-6.6	-4.0	-4.1
	Grenada	-22.1	-21.8	-19.2	-27.1	-23.8
	Guyana	-9.6	-13.1	-11.6	-12.9	-14.6
	Haiti	-1.5	-4.3	-5.7	-6.7	-6.8
	Jamaica	-8.7	-13.4	-13.0	-11.1	-8.3
	St. Kitts and Nevis	-20.9	-15.5	-11.9	-9.0	-13.5
	St. Lucia	-16.3	-18.8	-14.0	-8.8	-8.9
	St. Vincent and the Grenadines	-30.6	-29.4	-27.8	-29.2	-32.7
	Suriname	11.4	5.8	3.4	-3.9	-3.6
	Trinidad and Tobago	19.7	11.9	3.3[p]	6.7[p]	10.1[p*]

Real GDP	Antigua and Barbuda	-8.5	-1.9	3.6	1.8	1.9
	The Bahamas	1.5	1.1	1.0	0.7	1.2
	Barbados	0.2	0.8	0.0	-0.3	-0.6
	Belize	3.1	2.1	4.0	0.7	2.0
	Dominica	1.2	0.2	-1.1	0.8	1.4
	Dominican Republic	8.3	2.9	2.7	4.6	5.3
	Grenada	-0.5	0.8	-1.8	1.5	1.1
	Guyana	4.4	5.4	4.8	5.2	3.3
	Haiti	-5.5	5.5	2.9	4.3	3.8
	Jamaica	-1.5	1.4	-0.5	0.2	1.1
	St. Kitts and Nevis	-3.8	-1.9	-0.9	3.8	3.5
	St. Lucia	-0.2	1.3	-1.3	-2.3	-1.1
	St. Vincent and the Grenadines	-2.3	0.3	1.5	2.3	1.7
	Suriname	4.2	5.3	4.8	4.1	3.3
	Trinidad and Tobago	-0.3	-1.2	0.3	2.1	0.7*

Source: International Monetary Fund, World Economic Outlook Database, October 2014 and Central Bank of Trinidad and Tobago.

p Provisional.

e Estimate.

* For the period January - September 2014.

PART V - GROSS DOMESTIC PRODUCT

Economic growth in Trinidad and Tobago rebounded in the third quarter of 2014 on the strength of resurgent activity in the energy sector. According to provisional estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) Index, the Trinidad and Tobago economy expanded by 1.9 per cent, on a year-on-year basis, in the third quarter of 2014 following virtually flat growth during the first half of the year. Although there was some rebound in the energy sector, the non-energy sector appeared to be losing some of its growth momentum.

Higher natural gas and petrochemicals production propelled the rebound in the energy sector[2]. Output from the energy sector grew by 2.8 per cent (year-on-year) in the third quarter of 2014, after declining by 2.9 per cent and 4.3 per cent in the first and second quarters of 2014, respectively. The petroleum sub-sector rose by 2.6 per cent on account of increased exploration and production activity (3.2 per cent). This was largely based on higher natural gas production (3.6 per cent) compared with a reduction of 4.6 per cent in the third quarter of 2013 when large-scale maintenance activity was undertaken by major gas companies. Refining activity increased by 2.6 per cent for the same period, mainly due to higher LNG output (5.4 per cent) which more than compensated for the decline in petroleum refining (16.9 per cent). The petrochemicals sub-sector continued to perform creditably, expanding by 4.2 per cent in the third quarter of 2014, reflecting significant improvements in the output of ammonia (9.2 per cent) and urea (9.9 per cent).

In the non-energy sector, the trend of positive growth continued, albeit at a slower rate. Non-energy output expanded by 1.4 per cent, compared with increases of 2.0 per cent and 3.3 per cent in the first and second quarters of 2014, respectively. The non-energy sub-sectors, with the exception of Electricity and Water and Construction, all displayed positive growth trends. Finance, Insurance and Real Estate increased by 2.8 per cent while Distribution grew by 3.8 per cent, with one measure of performance, local sales of new motor vehicles increasing by 15.1 per cent. Increased acreage under cultivation and higher farmer participation facilitated an estimated rise of 5.6 per cent in Agriculture output. NAMDEVCO's volume data from the Norris Deonarine Northern Wholesale Market showed significant

[2] See Domestic Production and Commodity Prices section for further details.

increases in the output of local root crops which overshadowed a drop in the production of vegetables. Transport, Storage and Telecommunications increased by 2.4 per cent while Manufacturing posted a minor increase of just about 0.5 per cent. Spare capacity in the Manufacturing sector continued to be high as companies utilized just above two thirds of their existing capacity **(Table 8)**. A decrease in local sales of cement partly due to lower demand from contractors led to a decline of 2.0 per cent in real value-added in the construction sector. The Electricity and Water sector declined by 2.3 per cent in the third quarter of 2014.

Table 8
Capacity Utilization in the Manufacturing Sector
/Per cent/

	2012				**2013**				**2014**		
	QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII
Manufacturing	63.7	65.4	65.1	64.5	62.3	67.3	65.1	68.3	69.4	69.7	68.9
Food, Drink & Tobacco	70.1	72.3	69.1	71.0	67.7	74.5	72.5	74.2	78.8	75.3	75.5
Chemicals and Non-Metallic Minerals	50.5	51.2	62.6	63.3	60.6	64.4	60.0	67.5	63.4	72.8	68.5
Assembly Type and Related Industries	57.0	61.1	54.9	50.8	55.8	54.0	56.8	54.2	57.0	50.9	51.2

Source: Central Bank of Trinidad and Tobago.

Part VI – Domestic Production and Commodity Prices

Petroleum

The crude oil industry registered positive, albeit marginal growth during July to November 2014. Crude oil output increased 0.8 per cent, year-on-year, driven by increased production from Repsol, which quickly commercialized its recent find, as well as growing output from several smaller operators. October 2014 recorded the highest monthly rate of output in three years, at 86,020 barrels per day. Crude oil exports were 3.4 per cent above corresponding levels in 2013. Exploration activity, as measured by total depth drilled, was also up 18.6 per cent over the five months to November 2014.

Initial data for the second half of 2014 suggests Petrotrin's Point-a-Pierre refinery continues to face operational and competitive challenges. Refinery throughput continued its downward trend, falling by 18.7 per cent (year-on-year) during July to November 2014. Internationally, crude oil supplies have been on the rise, leading to significant declines in crude and petroleum product prices. Furthermore, the company cited increased competition from US refined products which will continue to challenge Petrotrin's operations. Lower refinery feedstock requirements resulted in crude imports falling by 27.4 per cent, while exports of refined products declined by 17 per cent in July to November 2014.

International crude oil prices fell steeply during the second half of 2014. From as early as July 2014 crude oil prices began their slide from upwards of US$100 per barrel to below US$60 per barrel by the end of December 2014. This downward trend continued into 2015, with prices below US$50 per barrel in January. Rising global supplies, lower demand and higher inventories all contributed to this dramatic decline in crude oil prices. Average prices for West Texas Intermediate (WTI) declined 16 per cent, year-on-year, during the second half of 2014, while BRENT prices exhibited an 18.2 per cent decline over the same period. Despite weaker prices, the Organization of Petroleum Exporting Countries (OPEC) decided in late November 2014 to maintain its output ceiling at 30 million barrels per day, contrary to the customary policy position of cutting output to support higher prices. This action suggests that a lower crude oil price environment may persist for some months ahead.

Natural Gas

Natural gas production experienced a marginal turnaround during July to November 2014 (Table 9). This resulted from small increases in production from several companies including BG Trinidad and

Tobago and Repsol compared to lower output in 2013 when coordinated maintenance activities took place in the upstream gas industry. Stronger growth in natural gas output was hampered by BG Trinidad and Tobago's shut down of the Dolphin platform in October 2014 as the company made preparations to receive natural gas from the Starfish field.

The midstream natural gas industries saw mixed results during July to November 2014. Improvements in the upstream sector facilitated an increase of 3.9 per cent in LNG production. However, a fall of nearly 6 per cent in production of natural gas liquids indicates more dry gas is being produced.

Despite continued weakness in natural gas markets, US natural gas prices showed some strength in the latter half of 2014. Ample supplies in Europe and Asia coupled with falling oil prices pushed natural gas prices lower[3] in these regions during the second half of 2014. In the US, where natural gas prices are market-determined, record levels of natural gas storage did not exert significant downward pressure on prices. Henry Hub natural gas prices were on average 5.4 per cent higher in the second half of 2014 over the same period in 2013. This momentum originated early in 2014 when cold weather drove prices close to US$8 per mmbtu. Natural gas prices retreated thereafter, settling at around US$4 per mmbtu by mid-2014 and remained relatively stable until early December. However, relatively mild winter weather coupled with record natural gas production caused prices to soften to under US$4 per mmbtu by the end of 2014.

Table 9
Natural Gas Production

	Jul-Nov 2013	Jul-Nov 2014	% change
	mmcf/d	mmcf/d	
BPTT	2,187.0	2,184.0	-0.1
Trinmar	15.6	14.8	-5.1

[3] Natural gas prices in these regions are indexed to crude oil prices. As a result, lower crude oil prices exert downward pressure on natural gas prices in these regions.

Petrotrin	4.4	4.8	9.1
EOG Resources	517.8	515.0	-0.5
BG T & T	839.4	906.6	8.0
BHP Billiton	402.4	370.2	-8.0
Repsol	28.0	30.8	10.0
Total	**3,994.6**	**4,026.2**	0.8

Source: Ministry of Energy and Energy Affairs.

Nitrogenous Fertilizers

Significant downtime at several plants resulted in a marginal decline in nitrogenous fertilizer production over the period July to November 2014. The industry recorded a marginal decline of 0.7 per cent in overall output despite extensive maintenance operations at several plants in September 2013. Production continued to be affected by curtailment issues, with PCS Nitrogen registering its lowest level of production during the third quarter of 2014. Additionally, maintenance operations in October 2014 resulted in major shutdowns at the Tringen I and N2000 plants. This maintenance effort was coordinated with downtime at BG Trinidad and Tobago's Dolphin platform, which limited the supply of natural gas during the period. In addition, a two-month turnaround at the PCS Nitrogen urea plant during September and October 2014 resulted in a decline of almost 32 per cent in urea production. On the other hand, ammonia activity improved by 2.5 per cent during the five months to November 2014.

Fertilizer prices continued to rebound from the harsh winter conditions that adversely affected the market earlier in 2014. The latter half of 2014 saw fertilizer prices rebound significantly, with ammonia and urea prices improving by 26.1 per cent and 10 per cent, respectively. Following a harsh winter which suppressed prices and delayed the peak demand season for fertilizer commodities in the first quarter of 2014, prices improved in light of increased demand brought about by a more favorable climate for agricultural activity.

Methanol

Natural gas curtailments, in addition to maintenance activity, suppressed methanol production over the period July to November 2014. Market participants highlighted that natural gas supplies in Trinidad and Tobago were at times restricted by approximately 30 per cent due to maintenance of offshore gas platforms. Additionally, there continues to be a mismatch between upstream commitments to supply the National Gas Company of Trinidad and Tobago (NGC) and downstream demand from NGC customers. As a result, several plants reported shortfalls in production during the third quarter of 2014. These included the Methanol IV (MIV), Trinidad and Tobago Methanol Company (TTMC) II, Atlas and Caribbean Methanol Company (CMC) plants. Methanol production declined 7.4 per cent, year-on-year, during July to November 2014.

In the global context, strong supply coupled with weak demand resulted in methanol prices taking a sharp downturn over the latter half of 2014. FOB Rotterdam prices dipped in the second quarter of 2014 in light of several import cargoes from Asia. By the beginning of the third quarter, the market faced weak demand and entered a state of stagnation. Methanol prices declined 18.1 per cent on a year-on-year basis, averaging US$436.5 per tonne during the second half of 2014.

Iron and Steel

Iron and steel production continued to trend downward in the second half of 2014 in light of major downtime at one of the three DRI plants. A DRI plant was shut down for almost all of September 2014 for repairs. DRI production fell by 17.3 per cent in the latter half of 2014 when compared to the corresponding period of 2013. As a consequence, billet production declined by 30 per cent (year-on-year). Wire rod production improved slightly, however, by 1.9 per cent. The increase in wire rod production was driven mainly by production of a new grade of wire rod coil which targeted new markets in Latin America.

Iron and steel prices continued to fall in 2014 as economic momentum remains weak across Latin America. The iron and steel market in the first half of 2014 was characterized by weak demand and oversupply. During the second half of 2014, the gap between supply and demand tightened as steel producers around the globe began to drawdown inventories. While this suggests that demand may be recovering, economic sluggishness in key markets have mitigated any resurgence in prices. Wire rods and billet prices fell to US$571.5 and US$481.9 per tonne during the second half of 2014, representing declines of 3.1 and 5.1 per cent (year-on-year), respectively.

Agriculture

There was a mixed performance in the agricultural sector for the period July to December 2014. Data from the National Agricultural Marketing and Development Corporation (NAMDEVCO) suggests increases in the availability of locally grown root crops such as sweet potato (28.9 per cent) and cassava (25.8 per cent), and large declines in some vegetables such as cabbage (60.9 per cent) and sweet pepper (33.4 per cent) when compared to the corresponding period one year ago **(Table 10)**. The rise in the availability of root crops was partly explained by increased farmer participation and greater acreage under cultivation while the declines in vegetables may be on account of the falloff in production by the Caroni Green Initiative[4] (CGI).

[4] The Caroni Green Initiative paused it's cultivation of root crops, fruits and vegetables to facilitate the formation of Caroni Green Limited.

Table 10

Availability of Selected Commodities at the Norris Deonarine Northern Wholesale Market

Commodity	Jul-Dec 2013	Jul-Dec 2014	Jul-Dec (Year-on-Year Per Cent Change)
LOCAL			
Root Crops			
Sweet Potato (kg)	720,303	928,808	28.9
Cassava (kg)	225,796	284,164	25.8
Dasheen (kg)	38,297	74,752	95.2
Eddoes (kg)	19,036	36,337	90.9
Leafy Vegetables			
Cabbage (Local Green) (kg)	624,864	244,283	-60.9
Callaloo Bush (Roll) (Bundle)	78,245	120,529	54.0
Vegetables			
Tomato(kg)	613,253	554,546	-9.6
Cucumber(kg)	496,878	559,233	12.5
Sweet Pepper(kg)	283,194	188,533	-33.4
Christophene(kg)	94,079	139,815	48.6
Fruits			
Watermelon(kg)	364,751	498,322	36.6
Pineapple(kg)	223,690	491,756	119.8
IMPORTS			
Root Crops			
Dasheen(kg)	385,682	415,455	7.7
Eddoes(kg)	389,869	478,349	22.7
Sweet Potato(kg)	236,188	89,598	-62.1
Leafy Vegetables			
Cabbage (Green) (kg)	265,084	361,088	36.2
Vegetables			
Tomato(kg)	116,133	75,659	-34.9

Source: The National Agricultural Marketing and Development Corporation.

Part VII – Labour Market

Unemployment

The latest official data on the labour market indicate that the rate of unemployment continued its downward trend. According to the Central Statistical Office (CSO), the unemployment rate fell to an unprecedented low of 3.1 per cent in the first quarter of 2014 compared with 3.8 per cent in December 2013 and the 3.7 per cent recorded in the corresponding quarter one year earlier **(Table 11)**. The fall in the unemployment rate between March 2013 and March 2014 was associated with an increase in the number of persons with jobs by 12,000 to 643,500 persons. Sufficient jobs were created to absorb 8,500 new entrants to the labour market and to reduce those persons previously unemployed by 3,500 persons. Ample job openings were likely to have encouraged workers to offer themselves for employment which resulted in the participation rate increasing from 62 per cent to 62.6 per cent over the same period. Female job seekers fared better than their male counterparts since for the second consecutive quarter, the number of unemployed females fell below the number of males seeking employment. Employment gains were highest in Community, Social and Personal services[5] with this sector gaining 11,800 persons, only slightly lower than the gain of 13,000 persons in this sector in the first quarter of 2013. With economic activity increasing in Food and Chemical Processing companies, employment levels increased by 4,500 persons in the Manufacturing sector. Employment was also higher in Electricity and Water (2,500 persons) and Agriculture (2,200). However, job losses occurred in Construction (7,800 persons), Transport, storage and communication (1,600 persons) and Petroleum (1,300 persons).

Retrenchment Notices

In the absence of official labour market statistics for the second and third quarters of 2014, data released by the Ministry of Labour and Small and Micro Enterprise Development indicate an increase in the number of retrenchment notices during the third quarter of 2014. The number of retrenchment notices, which are an indirect barometer of job separation, rose on a year-on-year basis by 1.4 per cent in the third quarter of 2014 following a 25.3 per cent contraction in the second quarter of 2014 **(Chart**

[5] The Community, social and personal services sector includes CEPEP workers (both contractors and labourers), members of the Defence force, public servants, teachers, sanitary workers, medical personnel, labour unions, recreational and culture services and personal and household services.

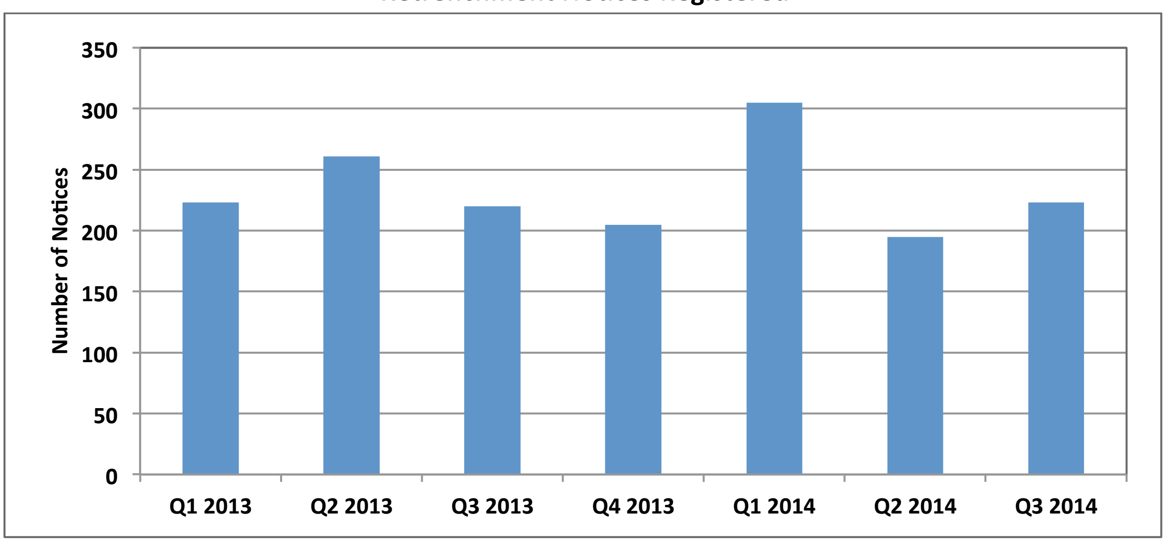
1). The majority of notices originated in the Distribution sector (30 per cent) which retrenched 67 persons and the Transport, communication and storage sector (28 per cent) where 63 persons lost jobs.

Table 11
Selected Labour Market Indicators

	QI-13	QII-13	QIII-13	QIV-13	QI-14
Unemployment Rate (per cent)	3.7	3.5	3.7	3.8	3.1
Total Labour Force	655,700	643,200	648,200	653,500	664,300
Total Persons with Jobs	631,500	620,700	624,200	628,800	643,500
Total Male Unemployed	11,300	9,600	11,300	13,000	10,900
Total Female Unemployed	12,900	12,900	12,700	11,700	9,800
Male Participation Rate (per cent)	72.4	70.4	71.3	72.3	73.1
Female Participation Rate (per cent)	51.6	51.1	51.0	50.9	52.1

Source: The Central Statistical Office.

Chart 1
Retrenchment Notices Registered



Source: Ministry of Labour and Small and Micro Enterprise Development.

Part VIII – Domestic Prices

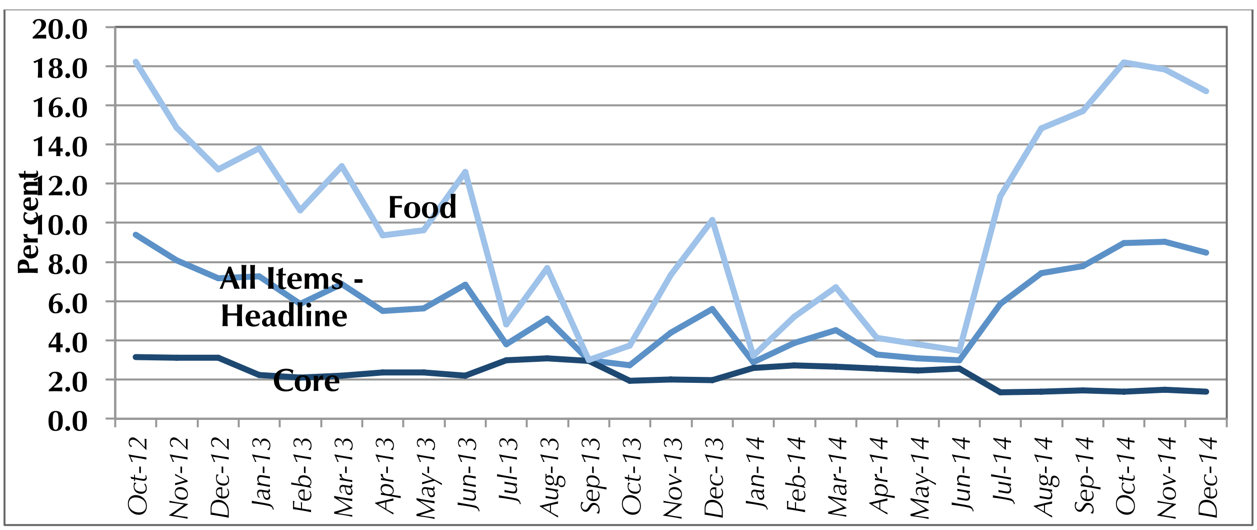
Inflation

Headline inflation showed a significant uptick in the second half of 2014 after an essentially sedate first half. Headline inflation averaged 7.9 per cent (year-on-year) in the second half of 2014 compared to an average of 3.4 per cent in the first six months of the year **(Chart 2)**. The strong surge in inflationary pressures resulted from a sharp upturn in food prices, as core inflation remained subdued.

Food inflation breached and remained in double-digit territory since July 2014. For the first six months of 2014, food inflation averaged 4.4 per cent. During the following six months, however, food inflation surged by an average of 15.8 per cent. This acceleration in food prices resulted from various supply constraints within the domestic market, especially in the volatile vegetable category.

On the other hand, underlying inflationary pressures (measured by core inflation) slowed towards the end of 2014. Core inflation averaged 1.4 per cent between July and December 2014 in comparison to 2.5 per cent over the first half of the year. The slowdown in the second half of the year can be attributed to price declines within the recreation and culture sub-index for package holidays (airfare and hotels), audio-visual equipment, and computers and software. Softer price increases within the alcoholic beverages and tobacco and health sub-indices also kept core inflation contained.

Chart 2
Index of Retail Prices
(Year-on-Year Per cent Change)



Source: Central Statistical Office.

Building Materials Prices

The Index of Retail Building Materials prices showed steady increases in the first nine months of 2014. The All items index rose on a year-on-year basis by 3.1 per cent in the third quarter of 2014 following increases of 1.5 per cent and 1.9 per cent in the first and second quarters of 2014. The site preparation, structure and concrete frame sub-index accounted for the majority of the pickup, rising by 5.6 per cent in the third quarter following an average increase of 1.5 per cent over the first half of the year. Some of this uptick can be attributed to higher cement prices at the beginning of the third quarter of 2014.

Producer Prices

Wholesale price inflation, measured by the CSO's Producer Price Index, trended downwards for much of 2014. Following an increase of 3.0 per cent during the first quarter of 2014, the growth in wholesale prices slowed to 1.5 per cent by the final quarter of the year. The impetus for the disinflationary trend was a slowdown of price increases within the drink and tobacco sub-sector. For 2014, wholesale price inflation measured 2.0 per cent, compared to 1.9 per cent in 2013.

International Food Prices

International food prices, as measured by the Food and Agriculture Organization's Food Price Index, fell at a faster rate in the second half of 2014. The Food Price Index fell by 5.3 per cent over July to December 2014 compared to a slower decline of 2.1 per cent during the first half of the year. During the latter six months, the sharpest declines occurred within dairy (23.6 per cent) and oils (12.0 per cent). Improved agricultural output in key producing regions precipitated the fall in international food prices. Production of cereals rose in the EU region and China, while dairy supplies increased from New Zealand and the United States. Conversely, the meat price index increased 13.1 per cent over the second half of 2014 compared to an increase of 3.2 per cent over the previous six months.

Part IX – Central Government Fiscal Operations

Latest provisional data from the Ministry of Finance and the Economy indicate the Central Government recorded an overall deficit of $2,720.0 million (1.5 per cent of GDP) during FY 2013/2014 (October 2013 to September 2014) (Table 12). This was well below the deficit of $4,908.4 million (2.9 per cent of GDP) recorded for FY 2012/2013 as well as the budgeted deficit of $6,357.1 million for FY 2013/2014. The smaller deficit was due to increased capital revenue, which was only partially offset by higher expenditure. Total revenue increased by $5,552.9 million while total expenditure increased by $3,364.5 million. The non-energy fiscal deficit decreased marginally to $30,763.6 million in FY 2013/2014 (17.2 per cent of GDP) from $31,511.6 million in FY 2012/2013 (18.4 per cent of GDP). Provisional data suggest that there were no transfers to the Heritage and Stabilization Fund (HSF).

The Central Government incurred an overall surplus of $328.4 million in the first three months of FY 2014/2015 compared with a surplus of $4,150.4 million in the corresponding period one year earlier. Total revenue declined 17.4 per cent to $12,752.8 million as non-energy as well as capital revenue were significantly reduced. Non-energy revenue declined to $7,083.4 million during October to December 2014, largely attributed to a 46.4 per cent drop to $1,933.5 million in non-tax revenue. This was mainly on account of a substantial fall in profits from state enterprises compared to the first quarter of FY 2013/2014. During the latter period, Central Government received a one-off dividend payment of $3.2 billion from the National Gas Company of Trinidad and Tobago (NGC). Meanwhile, capital revenue fell to $88.9 million during October to November 2014 from $1,071.1 million[6] during the same period one year earlier. Tax collections on goods and services rose by 13.3 per cent during the period, largely on account of increased Value Added Tax (VAT) receipts (12.2 per cent). Higher VAT receipts coincided with a reduction in the payment of VAT refunds, which fell to $1,500 million from $1,799 million one year earlier.

Central Government expenditure increased by 10 per cent to $12,424.4 million during October to December 2014 as both recurrent and capital expenditure expanded. In terms of recurrent spending, transfers and subsidies increased by 10 per cent (year-on-year) to $7,296 million, mainly due to higher transfers to state enterprises, statutory boards and similar bodies. Petroleum subsidy payments increased by $50 million to $750 million during the first quarter of FY 2014/2015. Similarly, wages and salaries grew by 3 per cent over the period. Accelerated project implementation as well as the settlement of some commitments from the previous fiscal year caused capital expenditure to jump by 63.4 per cent to reach $1,149.5 million over the period.

On January 9th 2015, the Prime Minister of Trinidad and Tobago indicated that due to the decline in energy commodity prices, the Central Government would revise the FY2014/2015 budget. The revised budget will now be based on a crude oil price of US$45 per barrel and a natural gas price of US$2.25 per mmbtu[7]. As a result, the shortfall in revenue will amount to $7.4 billion. In response, the Government plans to review its Public Sector Investment Programme (PSIP) and its recurrent expenditure with the

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[6] This figure includes the Initial Public Offering of First Citizens Bank in October 2013.

[7] The original budget for FY 2014/2015 was premised on a crude oil price of US$80 per barrel and a natural gas price of US$2.75 per mmbtu.

aim of reducing total expenditure by $4.5 billion. More specifically, the Prime Minister stated that Government plans to avoid spending on infrastructure projects for which funding has not yet been confirmed as well as lower expenditure on non-critical goods and services and allocations in selected ministries by 15 per cent. Any additional revenue shortfall would be offset by proceeds from the sale of state assets through Initial Public Offerings (IPOs).

Table 12
Summary of Central Government Fiscal Operations
TT$ Millions

TT$ Millions	**2013/ 2014[p]**	**2012/ 2013**	**2011/ 2012**	**Oct. - Dec. 14**	**Oct. - Dec. 13**	**2014/ 2015[b]**
TOTAL REVENUE	**58,313.0**	**52,760.1**	**49,277.9**	**12,752.8**	**15,445.0**	**60,351.2**
Current Revenue	57,021.7	52,259.1	49,234.5	12,663.9	14,373.9	58,817.1
Energy Revenue	28,043.6	26,603.6	26,625.8	5,580.5	5,778.8	29,024.5
Non-Energy Revenue	28,978.1	25,655.5	22,608.7	7,083.4	8,595.1	29,792.6
Income	11,266.5	10,294.9	9,141.2	2,713.3	2,650.7	10,902.1
Property	3.4	4.2	4.6	0.6	1.1	3.0
Goods & Services	7,583.4	8,438.3	8,041.1	1,746.2	1,541.7	9,063.5
International Trade	2,902.6	2,587.7	2,319.4	689.8	793.7	2,815.7
Non-Tax Revenue	7,222.1	4,330.4	3,102.4	1,933.5	3,607.9	7,008.3
Capital Revenue	1,291.3	501.4	43.4	88.9	1,071.1	1,534.1
TOTAL EXPENDITURE	**61,033.0**	**57,668.5**	**51,474.8**	**12,424.4**	**11,294.6**	**64,664.5**
Current Expenditure	53,263.1	49,228.7	44,487.1	11,274.9	10,591.3	56,502.5
Wages and Salaries	8,764.8	9,171.5	7,282.3	2,151.7	2,089.6	9,260.8
Goods and Services	8,030.7	7,180.1	7,061.6	1,374.7	1,318.0	9,915.8
Interest Payments	2,881.5	2,808.7	2,937.1	452.5	551.9	3,006.6
Transfers and Subsidies[1]	33,586.1	30,068.4	27,206.1	7,296.0	6,631.8	34,319.3
Capital Expenditure and Net Lending[2]	7,769.9	8,439.8	6,987.7	1,149.5	703.3	8,162.0
Current Account Surplus (+)/Deficit (-)	**3,758.6**	**3,030.4**	**4,747.4**	**1,389.0**	**3,782.6**	**2,314.6**
Overall Surplus (+)/Deficit(-)	**-2,720.0**	**-4,908.4**	**-2,196.9**	**328.4**	**4,150.4**	**-4,313.3**
Overall Surplus (+)/Deficit(-) (Per cent of GDP)	**1.5**	**2.9**	**1.4**	**0.2**	**2.3**	**2.3**
Financing	**2,720.0**	**4,908.4**	**2,196.9**	**-328.4**	**-4,150.4**	**4,313.3**
Foreign Financing	3,156.5	-155.1	1,054.1	-49.3	3,390.6	3,735.8
Domestic Financing	-436.5	5,063.5	1,142.8	-279.1	-7,541.0	577.5
Memo items:						
Non-Energy Fiscal Deficit	-30,763.6	-31,511.6	-28,822.7	-5,252.2	-1,628.4	-33,337.8
Non-Energy Fiscal Deficit (Per cent of GDP)	17.2	18.4	18.3	2.8	0.9	18.0
Transfers to the HSF	0.0	271.7	1,332.1	0.0	0.0	0.0
Nominal GDP (Fiscal Year)	178,783.6	171,217.6	157,646.1	184,953.1	178,783.6	184,953.1

Source: Ministry of Finance and the Economy.

1 Adjusted for transfers to the Infrastructure Development Fund, Government Assisted Tertiary Education Fund and CARICOM Petroleum Fund.

2 Includes an adjustment for Repayment of Past Lending.

p Provisional.

b Budgeted.

Part X – Public Sector Debt

Provisional data showed that the gross public sector debt outstanding increased to $109.2 billion during the first quarter of FY 2014/2015, equivalent to 59 per cent of GDP (Table 13). Excluding debt issued for sterilization purposes, total public debt outstanding amounted to $74.3 billion or 40.2 per cent of GDP.

New borrowings by state-owned enterprises resulted in an increase in contingent debt to $30.2 billion during the period. The National Infrastructure Development Company Limited (NIDCO) issued a domestic bond valued at $1.5 billion to meet outstanding payment obligations with respect to the Point Fortin Highway. Also, the Education Facilities Company Limited (EFCL) raised $285.3 million for the construction of Early Childhood Care and Education Centers as well as for primary and secondary schools. In addition, the National Insurance Property Development Company Limited (NIPDEC) raised $150.9 million on the domestic market for the construction of the San Fernando Family Court.

Central Government domestic debt, excluding sterilized securities and contingent liabilities, increased by 3.5 per cent during the first quarter of FY 2014/2015. In December 2014, the Central Government issued two bonds totaling $2.1 billion for budgetary support. The first bond was issued to ANSA Merchant Bank Limited for $1.5 billion with a tenor of 12 years and at a fixed interest rate of 2.3 per cent, while the second was to First Citizens Investment Services Limited in the amount of $600 million with a tenor of one year and an interest rate range of 0.55 to 0.82 per cent[8].

External debt increased to $13.1 billion during the first quarter of FY 2014/2015 on account of new loans contracted but not yet disbursed. These include borrowings of US$177.5 million from the ING Bank N.V. in Amsterdam Netherlands and US$31.3 million from ANSA Merchant Bank Limited for the purchase of naval assets.

[8] The bond carries a pre-payment option with varying interest rates depending on the effective tenor of the bond. If the bond is fully paid within six months, the interest rate payable is 0.55 per cent. This rate increases with every subsequent month the bond remains outstanding and has a maximum interest rate of 0.82 per cent at maturity (twelve months).

Table 13
Public Sector Debt Outstanding
(TT$ Millions)

	Sep-14[p]	Dec-14[e]
TOTAL PUBLIC DEBT	**97,993**	**109,192**
CENTRAL GOV'T DOMESTIC DEBT	**56,107**	**65,885**
Bonds and Notes	33,991	34,353
Of which:		
General Development Bonds	9,135	10,681
CLICO fixed-rate Bonds	14,820.8	14,821
CLICO zero-coupon Bonds	4,598	4,114
HCU zero-coupon bonds	327	327
Liquidity Absorption Bonds	2,540	1,840
Treasury Bonds	2,559	2,559
Other [1]	11	11
Treasury Bills	15,108	21,983
Treasury Notes	5,892	8,452
Debt Management Bills	800	800
BOLTS	315	298
CENTRAL GOVERNMENT EXTERNAL DEBT	**12,998**	**13,112**
CONTINGENT DEBT	**28,888**	**30,194**
Statutory Authorities	18,537	19,975
State Enterprises	10,351	10,219
	Per cent of GDP[2]	
Total Public Debt	54.8	59.0
Total Public Debt (excl. sterilized debt)*	40.2	40.2
Central Government Domestic Debt (excl. sterilized debt)	16.8	16.8
External Debt	7.3	7.1
Contingent Liabilities	16.2	16.3
Memo:		
Nominal GDP (Fiscal Year)[2]	178,784	184,953.1

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

[r] Revised

[p] Provisional.

[e] Estimate

[1] Comprises outstanding balances of national tax-free saving bonds, public sector arrears and Central Bank fixed-rate bonds.

[2] Derived on a fiscal year basis using Calendar Year GDP sourced from the 2014 Review of the Economy.

* Excludes all debt that have been sterilized at the Central Bank and includes the following:
Treasury Bills, Treasury Notes, Treasury Bonds and Liquidity Absorption Bonds.

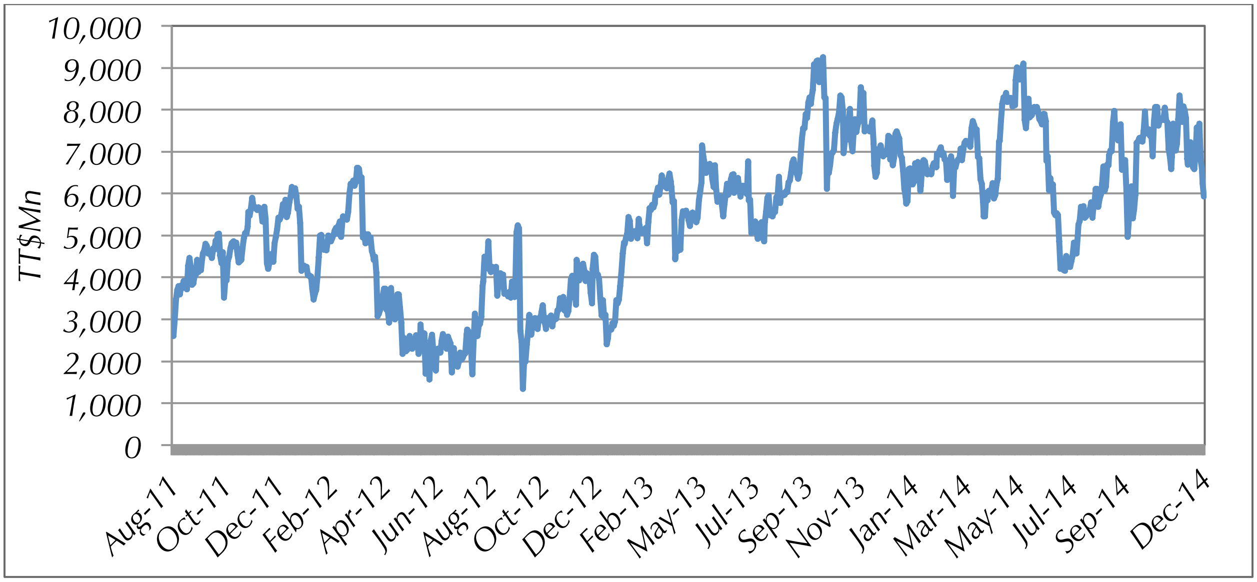
Part XI – Money, Credit and Interest Rates

After holding the Repo rate at 2.75 per cent for two years, the Central Bank began to signal a shift from its accommodative monetary stance in the latter half of 2014, increasing the repo rate to 3.5 per cent following three consecutive 25-basis point increases between September 2014 and January 2015. The Bank's Monetary Policy Committee premised this policy shift against a backdrop of steady growth in the non-energy sector, an anticipated pick-up in underlying inflationary pressures and monetary policy normalization in the United States. In response, the median commercial bank prime lending rate increased to 7.75 per cent at the end of 2014 from 7.50 per cent in June 2014. The Central Bank also implemented measures to curb the rapid accumulation of excess liquidity in the financial system.

Liquidity, as measured by commercial banks' holding of reserves in excess of their statutory requirements, though still elevated, fell in the second half of 2014. Over the period July – December 2014, liquidity averaged $6.5 billion daily, lower than the daily average of $7.1 billion in the first six months of the year **(Chart 3)**. Central Government operations contributed significantly to liquidity levels as net domestic fiscal injections increased to $7.5 billion between July and December 2014, from $5.0 billion in the first half of the year. Over the review period, three Central Government bonds[9] matured, adding $1.5 billion to the system. However, the Central Bank expanded its net open market operations by $10.1 billion in the second half of 2014. Of this, the Bank issued a $7.5 billion T-bill to sterilize the proceeds from the sale of a State asset in October 2014. The Bank also rolled over two commercial banks' special fixed deposits with a collective face value of $3.5 billion, while sales of foreign exchange to authorized dealers indirectly removed $6.4 billion from the system in the second half of 2014.

[9] A 15-year, $350 million, 11.0 per cent GORTT amortization bond matured on October 8th, an 8-year, $693.9 million, 8 per cent, Central Government liquidity absorption bond matured on November 30th and $500 million in zero-coupon Central Government paper related to the government's CL Financial intervention also matured on November 30th.

Chart 3
Commercial Banks' Excess Reserves

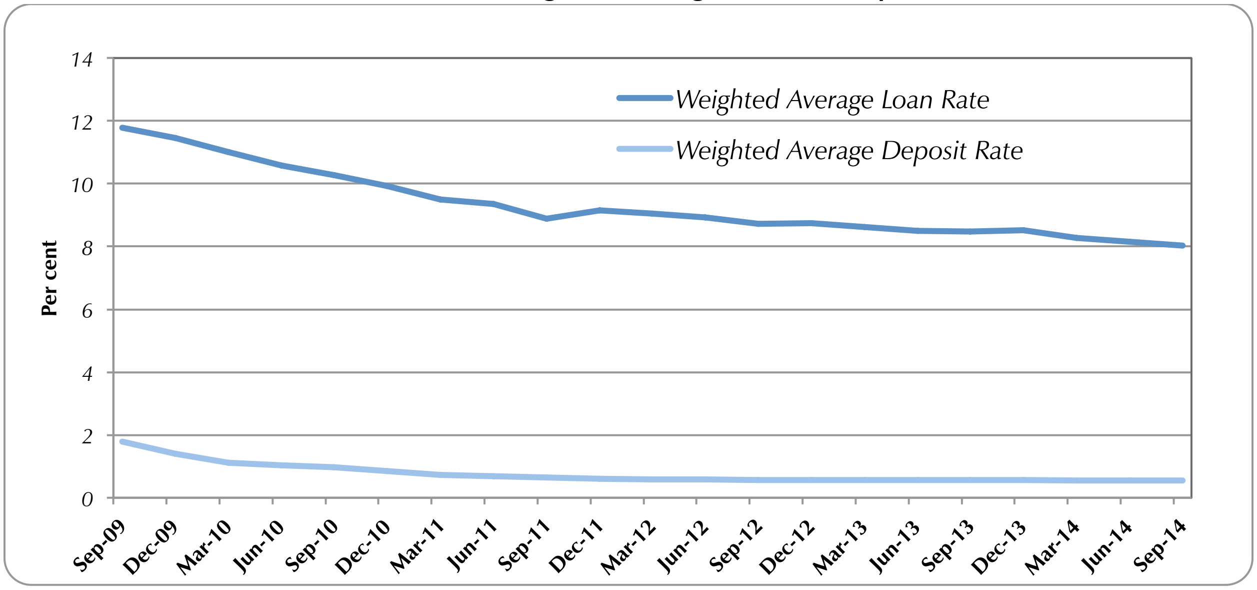


Source: Central Bank of Trinidad and Tobago.

The expansion in net open market operations (OMO) and the relatively lower liquidity levels resulted in rising short-term Treasury rates in the latter half of 2014. The discount rate on the 91-day OMO T-bill rose to 0.24 per cent by December 2014 from 0.21 per cent in June 2014, while the rate on the 182-day OMO T-bill increased to 0.45 per cent from 0.29 per cent over the same period. The differential between short-term (91-day) TT and US Treasuries widened to 22 basis points in December 2014 from around 17 basis points in the middle of the year. With high expectations for policy rate increases from at least two of the world's major central banks (US Federal Reserve and Bank of England) by mid-to late 2015, increased differentials on short-term assets should help buffer against the risks of sudden capital outflows.

On the other hand, lending rates continued their notable decline throughout the second half of 2014. Commercial banks' weighted average loan rate decreased to 8.03 per cent in September 2014 from 8.28 per cent in March, marking the sharpest decline (32 basis points) since September 2012 **(Chart 4)**. However, lending rates are expected to trend upward in 2015 as commercial banks respond to monetary tightening. The weighted average deposit rate remained stable at 0.55 per cent in the second half of 2014. The deposit rate has been very sticky over the last couple of years, having declined by only 4 basis points since March 2012. The commercial bank spread, driven by changes to the weighted average lending rate, narrowed by 25 basis points from its March value to 7.48 per cent in September 2014.

Chart 4
Commercial Banks' Weighted Average Loan and Deposit Rate



Source: Central Bank of Trinidad and Tobago.

Notwithstanding the continued decline in lending rates, cautious optimism by the business sector helped to temper the pace of loans to the business sector in the second half of 2014. On a year-on-year basis, business lending expanded by 1.9 per cent in November 2014, compared with an increase of 7.5 per cent in June 2014. Sectoral decomposition of commercial banks' loans to businesses for the quarter ending September 2014 indicated continued strong growth in lending to the distribution sector (21.5 per cent) and an increase in loans to the finance, insurance and real estate sector (4.4 per cent). However, the construction (-10.3 per cent), manufacturing (-9.1 per cent) and other services (-1.6 per cent) sectors recorded a contraction in business lending.

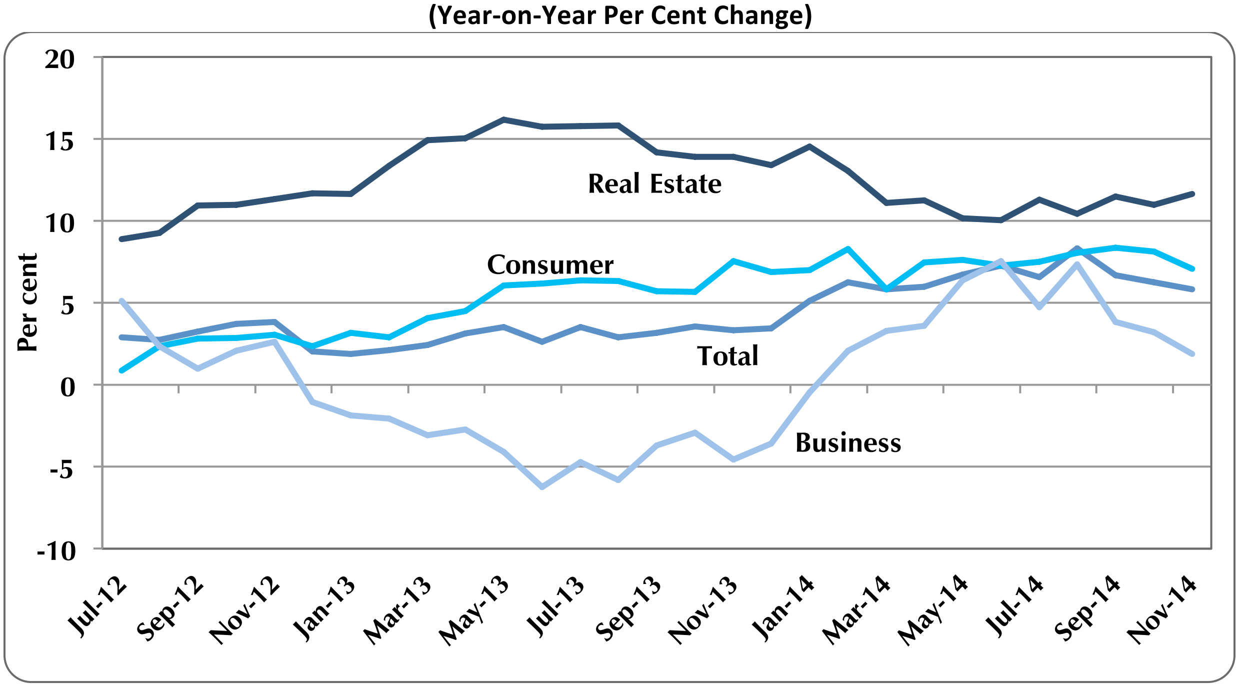
Indicative of buoyant consumer demand, loans to consumers continued to trend upward over the second half of 2014. Consumer loans rose by 7.1 per cent in November 2014, compared with an increase of 7.3 per cent in June 2014. Growth in consumer credit was driven by an increase in loans for the purchase of motor vehicles (20.6 per cent) and credit card purchases (9.0 per cent) while housing-related loans for bridging finance (14.6 per cent) and home improvement/ renovation (11.3 per cent) continued to trend upwards.

Real estate mortgage loans continued to expand steadily over the second half of 2014. Real estate mortgage lending expanded by 11.7 per cent in November 2014, up from 10.0 per cent in June 2014.

The further rise in real estate mortgage loans may have been stimulated, in part, by the upward trend in house prices over the past five years which has increased the average size of mortgage loans.

In contrast to the appreciable increase recorded over the period December 2013 to May 2014, growth of the major monetary aggregates slowed significantly over the six months to November 2014. The growth rate of M-1A decelerated from 23.0 per cent in June 2014 to 13.5 per cent in November 2014, as demand deposits trended sharply downwards. The growth of M-2 also weakened from 11.6 per cent in June 2014 to 9.3 per cent in November 2014, as the growth of savings deposits slackened.

Chart 5
Private Sector Credit by the Consolidated Financial System
(Year-on-Year Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

Developments in the Foreign Exchange Market

Authorized dealers of foreign exchange purchased a total of US$2.7 billion from the public and sold US$3.6 billion over the six month period ending December 2014. This resulted in a net sale of US$899.3 million, representing a marked increase from the net sale of US$531.4 million realized over the first half of 2014. The Central Bank supported the market with sales of US$1.0 billion to authorized dealers, compared with US$690 million over the first half of 2014 **(Table 14)**. Increased sales impacted on the

TT/US dollar exchange rate. In December 2014, the weighted average selling rate stood at TT$6.3839 per US dollar, a slight appreciation of 0.4 per cent from TT$6.4115 per US dollar in June 2014.

Table 14
Authorized Dealers: Foreign Exchange Market Activity
(US$ Millions)

Date	Purchases from Public	Sales to Public	Net Sales	Purchases from CBTT
2012	4,859.1	6,713.7	1,854.6	1,785.0
2013	5,802.2	7,076.4	1,274.2	1,315.0
2014	5,525.2	6,955.9	1,430.7	1,715.0
Jan-Jun 2014	2,830.4	3,361.8	531.4	690.0
Jul-Dec 2014	2,694.8	3,594.1	899.3	1,025.0

Source: Central Bank of Trinidad and Tobago.

Part XII – Capital Markets

Stock Market

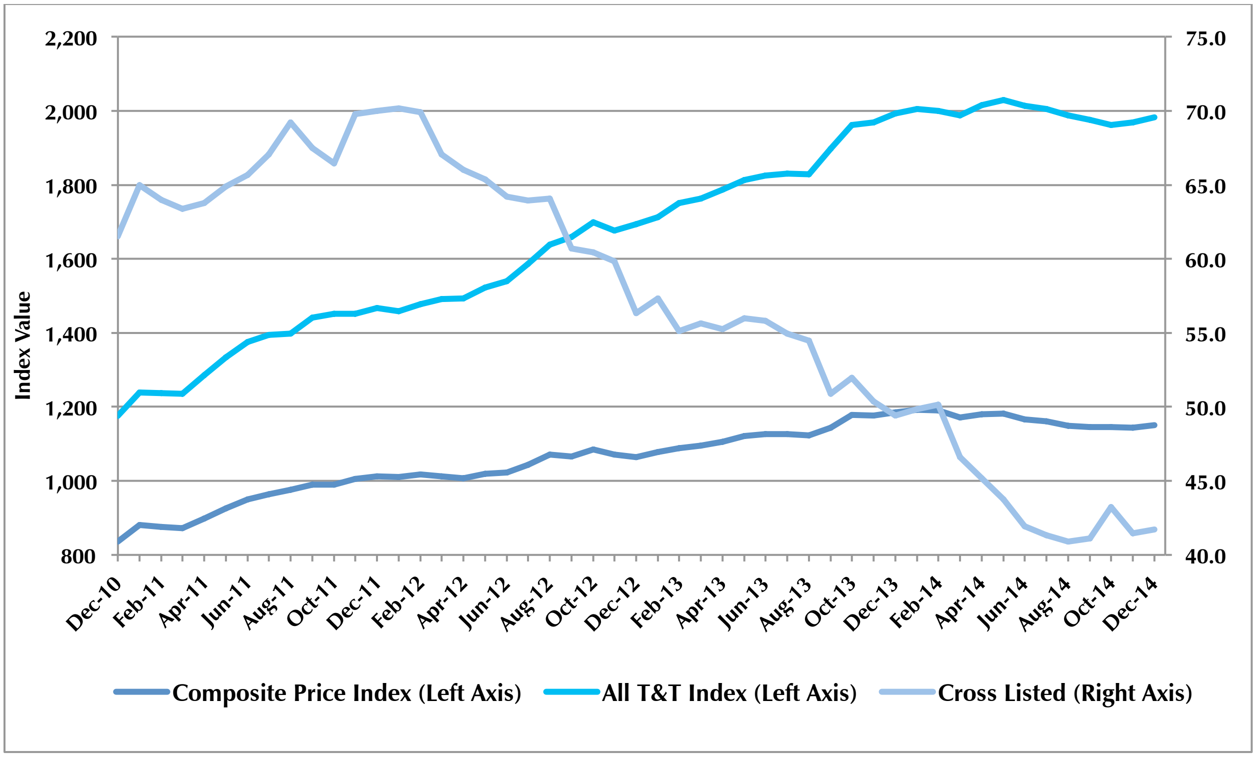
In 2014, the local stock market posted its first decline since 2009. After recording a strong gain of 11.3 per cent in 2013, the Composite Price Index (CPI) declined by 2.9 per cent in 2014 **(Chart 6)**. Similarly, the All Trinidad and Tobago Index (ATI) fell marginally by 0.5 per cent, following an increase of 17.7 per cent in 2013. The Cross Listed Index (CLI) fell by 15.6 per cent in 2014. Given the weaker performance, stock market capitalization fell to $109.7 billion at the end of 2014 from $114 billion at the end of 2013.

The decline in the domestic stock market was mainly due to an 8.0 per cent fall in the Banking sub-index during 2014. Shares in First Caribbean International Bank Limited dropped by 23.1 per cent while shares of First Citizens Bank, which saw phenomenal growth (83 per cent) after the 2013 IPO, dipped by 8.6 per cent in 2014. Other sub-indices which posted negative returns during 2014 were Non-banking Finance (3.5 per cent) and Trading (0.2 per cent). Conversely, Manufacturing I sub-index improved by 6.2 per cent during 2014 along with Conglomerates (4.5 per cent), Property (1.3 per cent) and Manufacturing II (1.2 per cent).

Though trading activity on the domestic stock market was slightly lower in 2014, the value of shares traded was marginally higher. A total of 91.6 million shares were traded in 2014 with a combined market value of $1,115.7 million, compared to 97.9 million shares in 2013 with a combined market value of $1,105.2 million. The banking sector accounted for 49.1 per cent of the total market value of shares traded. Republic Bank Limited demonstrated the largest trades ($255.5 million) in terms of market value and represented 46.6 per cent of the sector trade value. Scotia Bank and First Citizens Bank exchanged $126.7 million (23.1 per cent of sector value) and $124.2 million (22.7 per cent of sector value), respectively. In terms of the number of shares traded, National Commercial Bank of Jamaica recorded roughly 32 million share trades at a value of $33.7 million.

Chart 6

Trinidad and Tobago Stock Indices



Source: Trinidad and Tobago Stock Exchange.

Bond Market

Preliminary data show the number of issues in the primary bond market declined significantly in 2014. Only eight bonds were issued, raising a total of $6.6 billion (face value), compared to twelve bonds issued during 2013 raising a total of $10 billion. The public sector continued to be the main borrower in the primary market with four issues accounting for slightly under $4.0 billion, while the private sector issued four bonds raising approximately $2.7 billion in 2014.

Within the public sector, Central Government issued three bonds with a combined face value of almost $3.5 billion. The first issuance was a $1 billion bond in June 2014 for the purpose of liquidity management. The second, a 12-year $2.5 billion bond at a coupon of 2.8 per cent, was conducted in September 2014 for budgetary support purposes. The latter bond was undersubscribed by slightly over

$1 billion and was subsequently issued at 3.2 per cent. The third Central Government issue conducted at the end of the year raised $1 billion for budgetary support. First Citizens Bank issued $500 million in two series for the purpose of refinancing existing debt at lower rates. Massy Holdings Limited was the first private sector entity to access the primary bond market in 2014. The company issued $1.2 billion in two series for the purpose of paying down existing debt and for planned acquisitions and developments. Subsequently, ANSA Merchant Bank Limited raised $250 million with an 8-year maturity followed by Guardian Holdings Limited issuing $750 million in two tranches and First Caribbean International Bank (Trinidad and Tobago) Limited raising $480 million at the end of 2014.

In the secondary bond market, trading activity was slightly down in 2014. Central Government bonds with a combined face value of $908 million were traded in 2014 compared with $1,548 million in 2013. The number of transactions was also lower, with 150 trades occurring in 2014 compared with 175 trades in 2013. Trading activity was concentrated in July and October 2014.

Table 15
Primary Bond Market
January – December 2014P

PRIMARY BOND MARKET ACTIVITIES IN TRINIDAD & TOBAGO 2014 P					
Period Issued	**BORROWER**	**Face Value (TT $M)**	**Period to Maturity**	**Coupon Rate per annum**	**Placement Type**
June	Central Government of Trinidad and Tobago	1,000.00	7 years	Fixed Rate 2.2%	Public
July	Massy Holdings Limited	600.00	15 years	Fixed Rate 4.0%	Public
		600.00	10 years	Fixed Rate 5.25%	Public
August	First Citizens Bank	400.00	7 years	Fixed Rate 3.1%	Private
		100.00	10 years	Fixed Rate 3.25%	Private
September	Central Government of Trinidad and Tobago	1,451.84	12 years	Fixed Rate 2.8%	Public
November	ANSA Merchant Bank Limited	250.00	8 years	Fixed Rate 3.35%	Private
December	Guardian Holdings Limited	233.00	1 year	Fixed Rate 3.11%	Private
		517.00	5 years	Fixed Rate 4.25%	Private
	FirstCaribbean International Bank (Trinidad & Tobago) Limited	480.00	3 years	Fixed Rate 2.25%	Private
	Central Government of Trinidad and Tobago	1,000.00	12 years	Fixed Rate 2.30%	Private

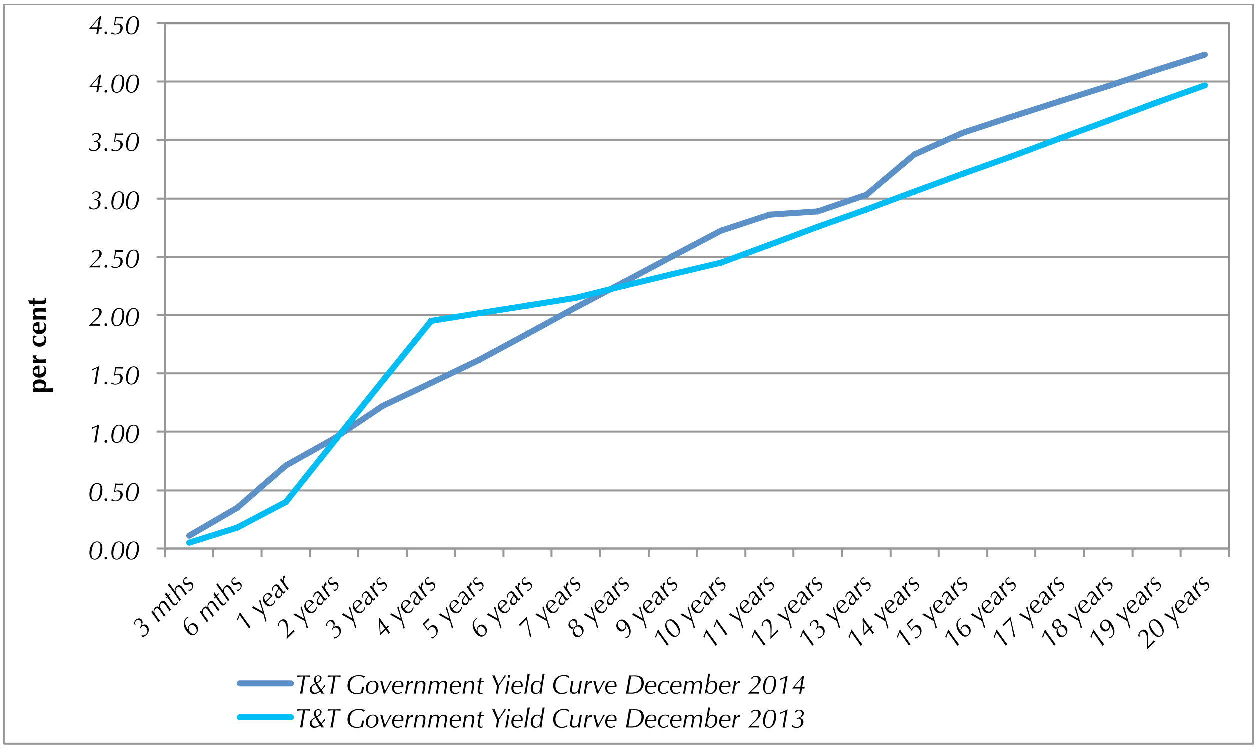
Sources: Central Bank of Trinidad and Tobago and the Securities and Exchange Commission.

P: Provisional.

With the exception of some short-to-medium term tenors, yields on treasury securities generally trended upward during 2014 (Chart 7). The 91-day and 182-day Treasury bill rates increased from 0.05 per cent and 0.18 per cent at the end of 2013 to 0.12 per cent and 0.35 per cent, respectively, at the end of 2014. The 10-year benchmark yields grew by 27 basis points from 2.45 per cent in December 2013 to

2.72 per cent by the end of 2014, while the benchmark 15-year yield increased by 35 basis points over the same period to 3.56 per cent.

Chart 7
Trinidad and Tobago
Central Government Yield Curve



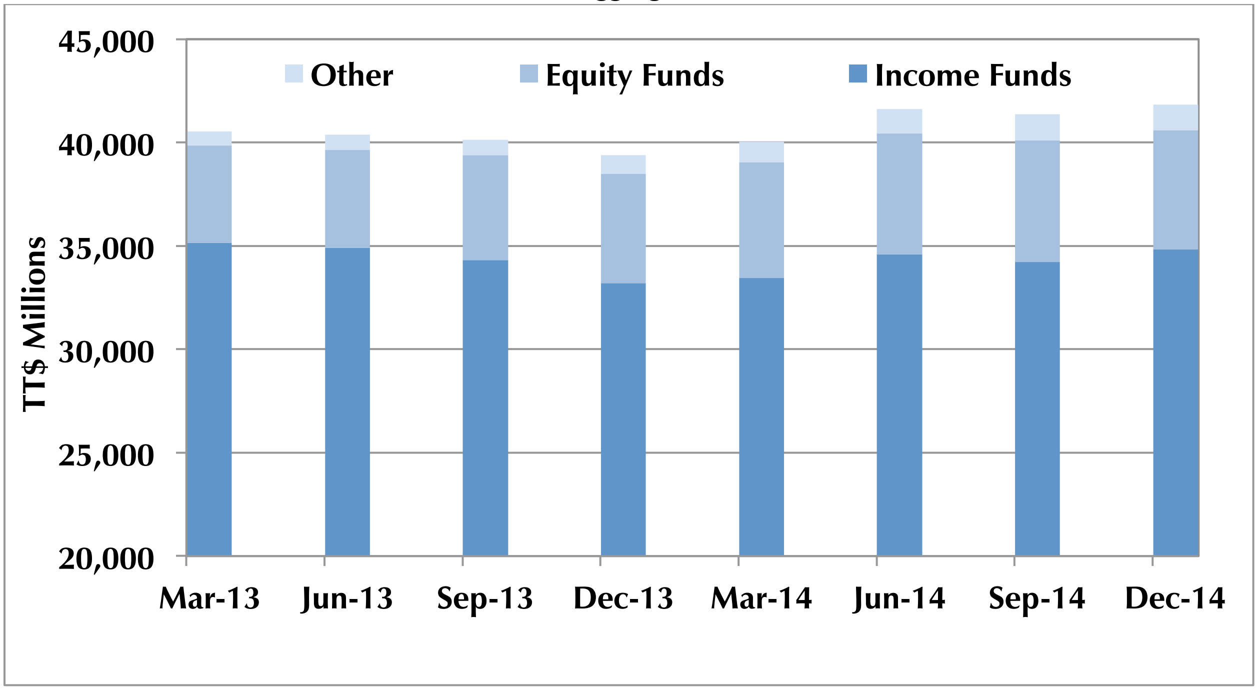
Source: Central Bank of Trinidad and Tobago.

Mutual Funds

Aggregate mutual funds under management increased in 2014, after experiencing declines in 2013. At the end of December 2014, funds under management[10] stood at $41.8 billion, an improvement of 6.3 per cent from 2013 (Chart 8). During 2014, the mutual funds industry attracted sales of approximately $15.2 billion and repurchases of roughly $12.8 billion, resulting in net sales of $2.4 billion.

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

Chart 8
Mutual Funds-Aggregate Fund Values



Source: Central Bank of Trinidad and Tobago.

Income funds under management (which account for more than 80 per cent of the mutual funds industry) grew by 4.9 per cent to $34.8 billion, following a decline of 4.2 per cent in 2013. Equity funds under management increased by 9 per cent to $5.8 billion at the end of 2014. Income funds and equity funds both realized net sales of $598.2 million and $1,393.5 million, respectively, in 2014.

Regarding the industry currency profile, both foreign currency and TT dollar denominated funds expanded during 2014. US dollar mutual funds grew by 4.2 per cent in 2014 following a contraction of 9.4 per cent in 2013. After a marginal increase of 1.3 per cent in 2013, TT dollar funds improved by 6.8 per cent in 2014.

Part XIII – International Trade and Payments

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

Over the first nine months of 2014, the country's balance of payments recorded an overall surplus of $132.3 million with the level of gross official reserves at the end of September 2014 amounting to $10.1 billion or 11.5 months of prospective imports of goods and non-factor services (Table 16)[11]. The external current account was estimated to have posted a surplus of $1.8 billion, lower than the surplus of $2.9 billion reported for the same period a year earlier. The smaller current account surplus was primarily a reflection of a lower merchandise trade surplus. Meanwhile, the capital and financial account registered a smaller deficit.

Preliminary estimates[12] suggest the merchandise trade account registered a surplus of $3.3 billion for the period January to September 2014, lower than the surplus of $4.3 billion in the corresponding nine month period of 2013. The merchandise trade balance deteriorated primarily as a result of a reduction in energy exports. Lower energy production on account of extensive maintenance activity in the energy sector during 2014 adversely affected energy exports. Non-energy exports also contracted by 10.7 per cent to $1.4 billion as the major export markets within CARICOM remained weak. Meanwhile, total imports were estimated at $5.8 billion, a slight decline of $83.7 million as energy imports fell compared with the year earlier period. Non-energy imports picked up by 24.7 per cent as the domestic non-energy sector continued to improve. Net factor payments abroad were estimated at $1,749.6 million, slightly higher than the $1,651.0 million reported in the corresponding period of 2013.

During the first nine months of 2014, the capital and financial account recorded a deficit of $1.7 billion. Net outflows of portfolio investment rose to $104.6 million due to larger transactions by energy companies. Further, commercial banks increased their foreign balance holdings, resulting in a net outflow of $117.1 million. The deficit on the public sector[13] sub-account narrowed from $317.2 million in the first nine months of 2013 to $211.1 million in the review period, owing mainly to lower net loan

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[11] At the end of December 2014, the level of gross official reserves amounted to $11.3 billion or 12.7 months of prospective imports of goods and non-factor services.

[12] Actual data from the Central Statistical Office on merchandise trade are up to February 2012. Data for the period March 2012 to September 2014 represent Central Bank estimates based on comparative mirror trade data with the rest of the world and supplemental data on activity in the energy sector.

[13] The public sector account reflects the international transactions of the Government of Trinidad and Tobago in the form of foreign investments of the Heritage and Stabilization Fund (HSF) and official borrowing of the Central Government.

proceeds and investments abroad by the Heritage and Stabilization Fund. These outflows were partly offset by net foreign direct investment which was recorded at $703.7 million, primarily reflecting reinvestments by foreign-owned energy companies and inter-company debt transactions.

Table 16
Trinidad and Tobago: Summary Balance of Payments
/US $Million/

	2009	2010	2011	2012[p]	2013[p]	Jan-Sep 2013[p]	Jan-Sep 2014[p]
Current Account	**1,632.8**	**4,172.3**	**2,898.5**	**823.6**	**1,828.6**	**2,996.9**	**1,797.5**
Trade Balance	2,241.2	4,735.4	5,433.0	3,918.4	3,898.8	4,270.9	3,268.6
Exports	9,221.4	11,238.9	14,943.9	12,983.4	12,769.6	10,168.3	9,082.2
Energy	7,939.8	9,435.2	12,709.7	10,569.3	10,854.2	8,643.1	7,719.9
Non-energy	1,281.6	1,803.7	2,234.2	2,414.1	1,915.4	1,525.2	1,362.3
Imports	6,980.2	6,503.5	9,510.9	9,065.0	8,870.8	5,897.4	5,813.7
Energy	2,845.6	2,664.4	4,308.5	3,942.0	4,891.9	3,318.6	2,597.1
Non-energy	4,134.6	3,839.1	5,202.4	5,123.0	3,978.9	2,578.8	3,216.5
Services (Net)	381.7	487.6	506.3	261.2	272.4	350.1	278.8
Income (Net)	-1,017.1	-1,079.5	-3,073.9	-3,389.5	-2,367.7	-1,651.0	-1,749.6
Transfers (Net)	27.0	28.8	33.1	33.6	25.1	26.8	-0.3
Capital and Financial Account	**-2,345.4**	**-3,753.9**	**-2,145.8**	**-1,445.6**	**-1,042.3**	**-2,770.0**	**-1,665.2**
Private Sector	-2,622.8	-3,213.0	-1,850.4	-819.6	-1,106.2	-2,452.9	-1,454.1
Direct Investment	709.1	549.4	770.6	772.1	1,169.9	793.2	703.7
Portfolio Investment	-62.9	-67.3	-84.7	-445.8	-100.1	-50.4	-104.6
Commercial Banks	-701.7	493.9	-309.8	-668.7	94.4	81.3	-117.1
Other Private Sector Capital*	-2,567.3	-4,189.0	-2,226.5	-477.2	-2,270.4	-3,277.0	-1,936.1
Public Sector**	277.4	-540.9	-295.4	-626.0	63.8	-317.2	-211.1
Overall Balance	**-712.6**	**418.4**	**752.7**	**-622.0**	**786.3**	**226.8**	**132.3**
Per Cent of GDP							
Current Account	8.5	19.7	11.9	3.3	6.7	14.6	8.5
Trade Balance	11.6	22.4	22.2	15.9	14.2	20.8	15.5
Services (Net)	2.0	2.3	2.1	1.1	1.0	1.7	1.3
Income (Net)	-5.3	-5.1	-12.6	-13.7	-8.6	-8.0	-8.3
Transfers (Net)	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Capital and Financial Account	-12.2	-17.8	-8.8	-5.9	-3.8	-13.5	-7.9
Private Sector	-13.6	-15.2	-7.6	-3.3	-4.0	-11.9	-6.9
Direct Investment	3.7	2.6	3.2	3.1	4.3	3.9	3.3
Portfolio Investment	-0.3	-0.3	-0.3	-1.8	-0.4	-0.2	-0.5
Commercial Banks	-3.6	2.3	-1.3	-2.7	0.3	0.4	-0.6
Other Private Sector Capital*	-13.3	-19.8	-9.1	-1.9	-8.3	-16.0	-9.2

Public Sector**	1.4	-2.6	-1.2	-2.5	0.2	-1.5	-1.0
Overall Balance	-3.7	2.0	3.1	-2.5	2.9	1.1	0.6
Memorandum Items							
Gross Official Reserves***	8,651.6	9,070.0	9,822.7	9,200.7	9,987.0	9,427.5	10,119.3
Import Cover (months)	11.9	13.1	13.5	10.4	12.0	11.3	11.5

Source: Central Bank of Trinidad and Tobago.

[p] Provisional. Central Bank estimates for the period March 2012 to September 2014 are based on comparative mirror trade data with the rest of the world, and supplemental data on activity in the energy sector.

* Includes Errors and Omissions.

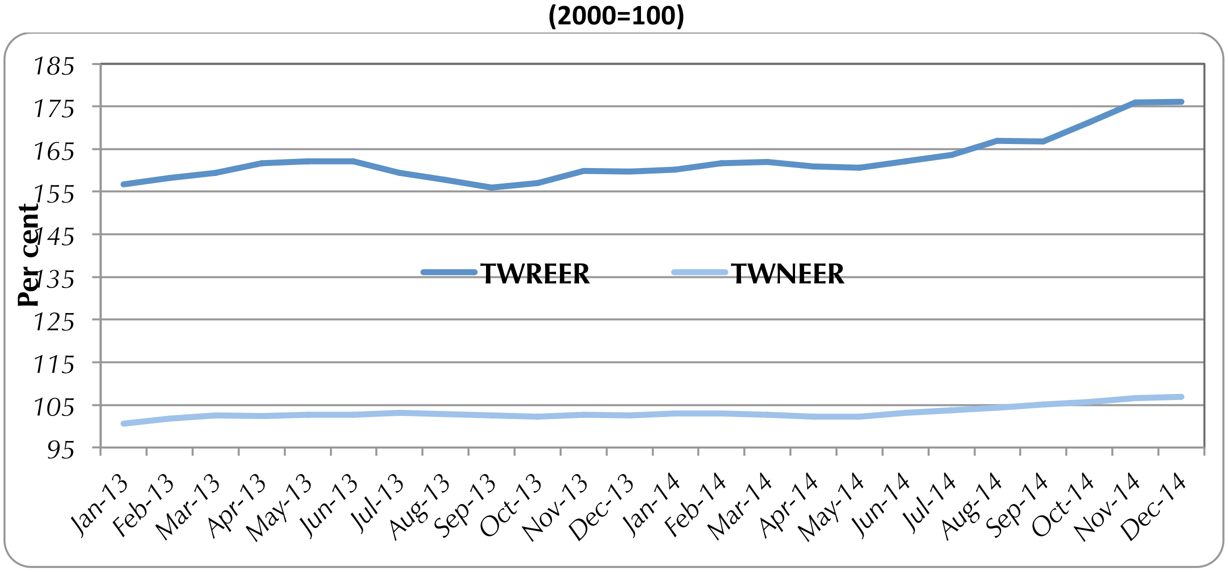
** Includes Official Borrowing, State Enterprises, Heritage and Stabilization Fund, Other Assets and Other Liabilities.

*** End of Period.

Effective Exchange Rates

Trinidad and Tobago's international price competitiveness weakened in 2014. The trade weighted real effective exchange rate (TWREER)[14] increased by 4.1 per cent on account of higher domestic prices relative to the country's major trading partners coupled with a marginal appreciation in the exchange rate. Domestic inflation climbed by 5.7 per cent in 2014, surpassing the average inflation rate of 0.2 per cent for Trinidad and Tobago's major trading partners. On average, the Trinidad and Tobago dollar appreciated by 0.5 per cent compared with the average depreciation of 0.1 per cent in the exchange rates of our major trading partner currencies. The faster rate of domestic inflation when compared with that of our major import and export markets contributed to an appreciation of the real effective exchange rate (Chart 9).

Chart 9
Trade Weighted Real and Nominal Effective Exchange Rate
(2000=100)



Source: Central Bank of Trinidad and Tobago.

[14] The TWREER reflects the weighted average of a country's currency relative to a basket of other major currencies, also known as the trade weighted-nominal effective exchange rate (TWNEER), and adjusted for the effects of inflation.