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PART I: OVERVIEW AND OUTLOOK

Amidst low commodity prices, uncertainty about the full implications of Brexit and the outcome of the US elections, the global economy grew modestly during the latter part of 2016. On November 9, 2016 following the US elections, minor disruptions occurred in some financial markets. However, the negative shocks to stocks, bonds and currencies were short-lived and stock market indices had generally recovered by the end of the year. The latest available data show that the US economy lost some momentum – growing by an annualized rate of 1.9 per cent (quarter-on-quarter) in the fourth quarter of 2016 – after expanding by 3.5 per cent in the third quarter, which was the fastest rate of growth in two years. Several other advanced economies, including the UK (0.6 per cent) and the Euro Area (0.4 per cent), recorded modest quarter-on-quarter growth in the fourth quarter of 2016. Towards the end of the year, expectations of rising interest rates in the US intensified in financial markets and, in December 2016, amid improved domestic economic conditions, the Federal Reserve raised the target range for the first time since December 2015. International energy prices also rallied at the close of 2016 following agreement by members of the Organization of Petroleum Exporting Countries (OPEC) to cut oil production within the grouping. In January 2017 the price of West Texas Intermediate (WTI) crude petroleum averaged US$52.5 per barrel compared to US$39.4 per barrel in the first half of 2016.

Among the emerging markets, the economies of Brazil and Russia continued to contract, China's economy cooled, and India's remained the world's fastest growing economy. Russia contracted by 0.4 per cent (year-on-year) in the third quarter of 2016, the smallest contraction in the last seven quarters. In Brazil, lower exports and dampened domestic demand underpinned a contraction of 2.9 per cent (year-on-year) in the third quarter of 2016 compared to one of 3.6 per cent in the previous quarter and 4.5 per cent in the third quarter of 2015. China's economy expanded by 6.8 per cent (year-on-year) in the fourth quarter of 2016, the expansion being driven mainly by increased government expenditure, bank lending, growth in real estate sales and property investment. Despite declines in private non-residential investment and exports earlier in the year, India's economy recorded strong growth of 7.3 per cent (year-on-year) in the third quarter of 2016, up from 7.1 per cent in the previous quarter.

In the Caribbean region, the economic performance in 2016 was mixed. Weaknesses in commodity prices hampered growth in the commodity-exporting economies, while tourism activity increased in the service-based economies. The International Monetary Fund (IMF World Economic Outlook - October 2016) has estimated that the Caribbean region grew by 3.4 per cent in 2016 and will grow by 3.6 per cent in 2017. According to the IMF, the economies of Jamaica, Barbados, and Guyana were expected to post positive results for 2016 while the economic recession in Suriname was expected to deepen. The most recent data show that economic activity in Jamaica increased 2.0 per cent (year-on-year) in the third quarter of 2016, up from 1.4 per cent in the previous quarter, largely owing to increased output from the agriculture, forestry and fishing sectors. In November 2016, the IMF approved a three-year Stand-By Arrangement valued at US$1.64 billion for Jamaica to facilitate the government's economic reforms. Suriname's economy was estimated to have declined by 9.0 per cent in 2016, following a decline of 0.3 per cent in 2015. The economy remains fragile on account of the closure of the Suralco alumina plant and the effects of contractionary fiscal adjustment. Suriname shifted from a pegged to a floating exchange rate regime in March 2016 to facilitate the changing terms of trade brought on by low commodity prices. The floating exchange rate regime initially led to an improved external current account balance and greater accumulation of international reserves, but balance of payments pressures mounted later in the year as commodity prices remained subdued.

The prospects for the global economy in 2017 are unclear partly due to policy uncertainty in the US following the presidential elections in November 2016. Several prospective policies of the new Administration may affect growth in international trade and ultimately global economic growth. In addition, developments surrounding negotiations for the United Kingdom to exit the European Union are evolving slowly. In its January 2017 update of the World Economic Outlook, the IMF projects that global growth will be tepid in 2017. Emerging markets are expected to remain the engine of growth while growth in advanced economies slows. In major advanced economies, growth is projected at 1.9 per cent in 2017, slightly higher than in 2016. High debt, financial sector vulnerabilities, lower levels of investment and slow productivity growth underpin the subdued growth forecast. The UK's vote to leave the EU is expected to bring about economic, political, and institutional uncertainties and lead to some negative macroeconomic consequences, especially in advanced European economies. Fiscal stimulus is expected to drive US growth, which may influence a further rise in interest rates following the rate increase by the Fed in December 2016.

Growth in the emerging and developing economies is expected to be uneven. China and India remain the mainstay of growth but deep recessions in a few emerging market and developing economies will pull down overall activity. Factors influencing the growth rates of this country group include the generalized slowdown in advanced economies, rebalancing of growth in China from being investment-led to consumption-led, lower commodity prices, worsening risk sentiment and strife in several countries and regions. Following a projected contraction of 0.7 per cent in 2016, the IMF has forecasted growth in Latin America and the Caribbean forecas to reach 1.2 per cent in 2017. However, the improvement for the region as a whole masks the difficulties that commodity producers continue to face. Further, the Caribbean in particular remains vulnerable to uncertainties arising from Brexit and changes in US fiscal, monetary and immigration policies.

In Trinidad and Tobago, production indicators of real economic activity monitored by the Central Bank suggest weaker performances in both the energy and non-energy sectors in the latter half of 2016. In the fourth quarter of 2016 the energy sector showed year-on-year declines in the production of crude oil (4.2 per cent) and natural gas (10.8 per cent). These declines by upstream producers were largely attributed to preparatory work to facilitate the inclusion of new fields by major oil and gas producers and increased maintenance activity. At the downstream end, petrochemical producers were negatively impacted by reduced oil and gas supplies which resulted in lower LNG, fertilizer and methanol production. Petrochemical output contracted by 12.9 per cent while Refining output fell by 8.5 per cent. For the second half of 2016, oil and natural gas production were lower by 7.7 per cent and 15.4 per cent, respectively. Available data suggest that non-energy output may not have been strong in the third quarter of 2016. Construction activity appears to have been subdued as indicated by large declines in local sales of cement and retail sales of hardware and construction materials. The decline in the Index of Retail sales for the third quarter of 2016 also points to marked contractions in distribution activity. However, there was growth in the finance, insurance and real estate sector on account of increased commercial banking activity.

The labour market continued to slacken in the first half of 2016. The unemployment rate increased to 4.4 per cent in the second quarter of 2016 from 3.2 per cent in the corresponding quarter of 2015. While the number of persons with jobs fell by 16,200 persons, a significant decline in the labour force of 8,200 persons resulted in the number of persons classified as unemployed rising by just 8,000 persons over the twelve months to June 2016. The labour force participation rate declined to 60.1 per cent in the first six months of 2016 from 60.9 per cent in the corresponding period of 2015. Job losses occurred in several sectors, including, the Wholesale and Retail Trade, Restaurants and Hotels, Construction, Agriculture and Manufacturing sectors. Meanwhile, labour market indicators for the second half of 2016 were mixed. The pace of job separation may have declined as fewer retrenchment notices were filed at the Ministry of Labour and Small Enterprise Development in the last six months of 2016 from the year-earlier period. However, a large decline in advertised job vacancies[1] suggests that the demand for labour might have weakened.

Domestic price pressures were relatively contained during the second half of 2016, as a result of the dampening effects of the slowing economy, which outweighed inflationary pressures arising from select fiscal measures. Headline inflation remained largely unchanged, while increases in producer prices and the prices of building materials were also restrained over the second half of 2016. Headline inflation, as measured by the Central Statistical Office's (CSO) Index of Retail Prices (RPI), stood at 3.1 per cent (year-on-year) in December 2016, compared with 2.9 per cent in July but slightly higher than the 2.4 per cent recorded at the start of the year. Several factors, including the depreciation of the domestic currency over the year, changes to the Value Added Tax (VAT) system in February 2016, the reduction in the petroleum subsidy in April 2016 and other tax measures (such as revisions to the business levy and green fund) in January 2016 added upward pressure to local prices. However, weaker aggregate demand due to declining domestic output and weak labour market prospects may have contributed to the slowing of inflation. After nearing double digits in the first half of the year —following the widening of the VAT base — food inflation slowed in the subsequent months driven by declines within the meat, milk, cheese and eggs sub-indices. Food inflation measured 6.7 per cent in December 2016, relativey unchanged from the 6.8 per cent in July but marginally higher than at the start of the year (4.5 per cent). Meanwhile underlying inflation (core) was contained at 2.3 per cent, only 0.3 per cent higher than in January and July 2016.

In the context of lower energy revenue, the Central Government's fiscal position worsened. The latest revised estimates from the Ministry of Finance show an overall deficit of $7.3 billion (5.0 per cent of Gross Domestic Product (GDP)) on the fiscal accounts for fiscal year (FY) 2015/16 (October 2015- September 2016) compared with an initially budgeted deficit of $2.8 billion and the deficit outturn for the previous fiscal year of $2.7 billion (1.8 per cent of GDP). Provisional data provided by the Ministry of Finance suggest that the central government recorded a deficit of $2.5 billion for the first quarter of FY2016/17. This was financed through domestic borrowing comprising of Government draw-downs on the overdraft facility with the Central Bank and the issuance of a $1.0 billion domestic bond in December 2016. Notwithstanding new borrowing by the Central Government, the public sector debt outstanding declined to $87.4 billion (56.6 per cent of GDP) at the end of December 2016 from $88.3 billion (60 per cent of GDP) at the end of September 2016 owing to repayments on contingent debt.

[1] The number of employment vacancies advertised in the Daily Express, Newsday and Guardian newspapers is used as an indication of labour market slack.

Amidst weak domestic economic conditions, the Central Bank of Trinidad and Tobago held its key policy interest rate, (the Repo rate), unchanged at 4.75 per cent (where it has been since January 2016). Lending by the consolidated financial system slowed to 3.8 per cent in November 2016 as business credit, consumer credit and real estate mortgage lending softened. Meanwhile, the Central Bank adopted a tighter liquidity management approach in the latter half of 2016, withdrawing $1.2 billion from the financial system via open market operations.

Over the first half of 2016, the external accounts of Trinidad and Tobago registered a deficit of $367.3 million with gross official reserves amounting to US$9,565.7 million at the end of the period. Meanwhile, the current account showed a deficit of US$582.7 million, which was primarily driven by depressed conditions within the energy sector. A decline in exports coupled with a marginal increase in imports led to a deficit of US$114.4 million on the Goods sub-account. Energy sector exports are estimated to have fallen by US$1,340.8 million during the first six months of 2016 to $3,361.2 million as a result of lower energy prices and production. At the same time energy imports climbed by 37.1 per cent to an estimated US$1,556.8 million reflecting an increase in the volume of petroleum imports over the period. With falling inflows from the energy sector, conditions within the domestic foreign exchange market remained tight during the first six months of 2016. In order to support the market, the Central Bank sold US$706.6 million to authorized dealers in the first six months of 2016. The financial account registered a net inflow of US$573.0 million, which was a reversal of the net outflow of US$429.0 million in the similar period in 2015. This was mainly due to net inflows of portfolio investment which occurred primarily as a result of residents reducing their holdings of foreign assets. The change in the gross official reserves for the second half of 2016 suggest a deficit of US$99.9 million on the external accounts, bringing the level of gross official reserves at the end of December 2016 to US$9,465.8 million (equivalent to 10.5 months of imports).

In 2017, the Trinidad and Tobago economy would benefit from the coming on stream of new gas production. Specifically, production from bpTT's Juniper platform is likely to begin in the third quarter of 2017, which should boost natural gas supplies and the energy sector on the whole. While international oil and gas prices are expected to rise in the wake of the December 2016 agreement by OPEC members to cut production, price increases could be muted by higher shale oil output in the US. Meanwhile, the revival of the non-energy sector, especially construction and distribution activity, could be helped by faster execution of government's capital expenditure programme. Overall, economic conditions are likely to remain challenging in 2017 as the economy continues to face reduced export earnings, constrained fiscal accounts and rising unemployment.

Table 1

Summary Economic Indicators

	2012	2013	2014	2015	2016[p]
INTERNATIONAL					
World Output[1]	3.5	3.3	3.4	3.2	3.1
Advanced Economies (% change)	1.2	1.2	1.9	2.1	1.6
Emerging and Developing Markets (% change)	5.3	5.0	4.6	4.0	4.2
DOMESTIC ECONOMY					
Real Sector Activity					
Real GDP (y-o-y % change)[2]	1.3	2.7	-0.6	-0.6	-2.3
Energy (y-o-y % change)[2]	-2.8	1.3	-2.5	-4.0	-9.6
Non-Energy (y-o-y % change)[2]	2.3	3.2	1.2	1.2	-1.8
Headline Inflation (% end-of-period)	7.2	5.6	8.5	1.5	3.1
Headline Inflation (% average)	9.3	5.2	5.7	4.7	3.1
Core Inflation (% average)	2.5	2.4	2.0	1.8	2.2
Unemployment Rate (% average)	5.0	3.7	3.3	3.4	4.1*
Fiscal Operations[3]					
Central Government Fiscal Balance (% GDP)	-1.3	-2.9	-2.6	-1.8	-5.0[re]
Public Sector debt[4] (% GDP)	39.4	39.1	42.2	50.0	60.1**
Money and Finance					
Commercial Banks Credit to the Private Sector (y-o-y % change)	3.9	4.7	7.3	6.1	4.1
Broad Money Supply (M2) (y-o-y % change)	10.6	8.8	13.1	-1.4	3.2
External Sector					
Current Account Balance (% GDP)[5]	12.5	20.0	14.9	4.0	-5.2*
Net Official Reserves (US$ Million)[6]	9,370.7	10,175.9	11,497.1	9,933.0	9,465.8
Net Official Reserves (in months of prospective imports of goods and non-factor services)	10.6	12.2	12.9	11.2	10.5

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

p Provisional.

re Revised Estimate.

1 Sourced from IMF World Economic Outlook Update, January 2017.

2 Real GDP growth rates are sourced from the Central Statistical Office.

3 On a fiscal year basis (October – September) - Fiscal flows represent data for the twelve months October to September, debt stocks as at September of each year.

4 Represents outstanding balances at the end of the fiscal year and excludes all securities issued for Open Market Operations (OMOs) including: Treasury Bills, Treasury Notes, Treasury Bonds and Liquidity Absorption Bonds.

5 Energy goods data for 2011-June 2016 comprise estimates by the Central Bank of Trinidad and Tobago based on volume and price data for the energy sector.

6 International reserves have been revised to include Trinidad and Tobago's reserve position in the IMF. International reserves are defined as external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating magnitudes of such imbalances through intervention in exchange markets and for other purposes. Typically they include a country's holding of foreign currency deposits, securities, gold, Special Drawing Rights (SDRs) reserve position in the IMF and other claims (Balance of Payments Manual 6th Edition, Paragraph 6.64).

* January-June 2016.

** As at September 2016 (end of fiscal year); Public Sector Debt as 6% (Table 14) as at December 2016.

PART II: INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

The global economy grew modestly in 2016 against the backdrop of depressed commodity prices, volatile financial markets and the decision by the UK to withdraw from the European Union (EU). The International Monetary Fund, IMF, in its January 2017 World Economic Outlook Update, estimated that global economic activity expanded by 3.1 per cent in 2016 following growth of 3.2 per cent in 2015. In advanced economies, the pace of economic activity improved during the second half of 2016. The US economy strengthened, notwithstanding a slowdown in the fourth quarter, while the UK economy remained resilient despite the uncertainty following the referendum decision in favour of Brexit. The Euro Area grew steadily in 2016, buoyed by lower oil prices and the availability of credit. Meanwhile monetary policy remained accommodative in advanced countries with the exception of the US. Against the backdrop of improving economic conditions and with inflation moving towards its target rate, the Federal Reserve raised the federal funds rate in December 2016.

In the emerging market and developing economies, growth, at 4.1 per cent, was subdued in 2016. While India remained the fastest growing economy in the world, benefitting from lower commodity prices, the Chinese economy continued to cool as the authorities rebalanced the economy to consumption led-growth. Commodity exporters such as Russia and Brazil recorded contractions during the second half of 2016, though there were signs that these economies were emerging from recession. Monetary policy generally remained supportive of domestic economic activity in emerging markets and developing economies. The Central Banks of Russia and Brazil reduced their policy rates over the year.

Advanced Economies

Provisional estimates indicate that the US economy expanded at an annualized rate of 1.9 per cent (quarter-on-quarter) in the fourth quarter of 2016 compared to 3.5 percent in the previous quarter (Table 2). This deceleration was mainly a reflection of a slowdown in exports and declines in personal consumption expenditures (PCE) and government spending. Labour market conditions remained favourable in early 2017 as the unemployment rate measured 4.8 per cent. This was slightly higher than the 4.7 per cent recorded in December 2016 but lower than the 4.9 per cent in June 2016 **(Table 3)**. Meanwhile, consumer prices rose by 2.5 per cent (year-on-year) in January 2017, compared with 2.1 per cent in December 2016 **(Table 4)**. This outturn was mainly as a result of increases in the gasoline and shelter indices. Based on its assessment of the economy and the labour market, the Federal Reserve maintained the federal funds target range of between 0.50 and 0.75 per cent in February 2017, following an increase of 0.25 per cent in December 2016. The Fed noted that further adjustments to monetary policy would take into account the progress of the economy toward its objectives of a 2.0 per cent inflation rate and full employment.

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

	2015				2016			
	I	II	III	IV	I	II	III	IV
United States[1]	2.0	2.6	2.0	0.9	0.8	1.4	3.5	1.9
United Kingdom	0.3	0.5	0.3	0.7	0.4	0.6	0.6	0.6
Euro Area	0.8	0.4	0.3	0.5	0.5	0.3	0.4	0.4
Japan	1.2	-0.3	0.4	-0.4	0.7	0.5	0.3	0.2

Source: Bloomberg.

1 Adjusted at annual rates.

Table 3
Rate of Unemployment in Developed Countries
(Per Cent)

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
United States	4.9	4.9	4.9	4.9	4.9	4.6	4.7	4.8
United Kingdom	4.9	4.9	4.9	4.8	4.8	4.8	4.8	n.a
Euro Area	10.1	10.0	10.0	9.8	9.7	9.7	9.6	n.a
Japan	3.1	3.0	3.1	3.0	3.0	3.1	3.1	n.a

Source: Bloomberg.

The UK economy remained resilient despite the referendum decision to leave the EU. Economic activity in the UK increased by 0.6 per cent (quarter-on-quarter) in the fourth quarter of 2016, unchanged from the third quarter in 2016. The gains were largely due to activity in the services sector, in particular retail sales and travel agency services. Consumer prices rose by 1.8 per cent in January 2017 compared to 1.6 per cent in the previous month, mainly on account of increases in motor fuels and food prices. Following its Monetary Policy Committee meeting in February 2017, the Bank of England (BoE) maintained its benchmark interest rate at 0.25 per cent and kept its Asset Purchase Programme unchanged at £435 billion (US$565.5 billion) with the aim of achieving its inflation target of 2.0 per cent. Meanwhile the unemployment rate remained at 4.8 per cent in December 2016, unchanged from the previous three months.

The Euro Area continued to record modest growth in 2016 as real GDP expanded by 0.4 per cent (quarter-on-quarter) in the fourth quarter of 2016, unchanged from the previous quarter. Meanwhile inflation increased by 1.8 per cent (year-on-year) in January 2017 compared with 1.1 per cent in December 2016 as higher prices were recorded in the energy and food indices. However, the inflation rate continues to trend below the European Central Bank's (ECB) 2.0 per cent target. Following its January 2017 meeting, the ECB maintained its key policy interest rate at 0.0 per cent.

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

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
United States	1.0	0.8	1.1	1.5	1.6	1.7	2.1	2.5
United Kingdom	0.5	0.6	0.6	1.0	0.9	1.2	1.6	1.8
Euro Area	0.1	0.2	0.2	0.4	0.5	0.6	1.1	1.8
Japan	-0.4	-0.4	-0.5	-0.5	0.1	0.5	0.3	n.a

Source: Bloomberg.

Economic growth in Japan measured 0.2 per cent (quarter-on-quarter) in the fourth quarter of 2016 compared with 0.3 per cent in the previous quarter mainly as a result of lower domestic demand. Consumer prices decelerated to 0.3 per cent in December 2016 from 0.5 per cent (year on year) in November 2016, still well below the Bank of Japan's (BoJ) inflation rate target of 2.0 per cent. In the BoJ's January 2017 monetary policy meeting, the Policy Board maintained its monetary policy stance: a benchmark interest rate of -0.1 per cent and the purchase of Japanese Government Bonds (JGB) to ensure that the 10-year JGB yield remains at 0.0 per cent. The unemployment rate remained at 3.1 per cent in December 2016.

Emerging Markets

Of the emerging market economies, China – the world's second largest economy – grew by 6.8 per cent (year-on-year) in the fourth quarter of 2016 due to stronger government expenditure and record bank lending (Table 5). Meanwhile, the People's Bank of China (PBoC) kept its key policy rate at 4.35 per cent in December 2016 with the aim of supporting economic growth. Consumer prices increased to 2.5 per cent (year-on-year) in January 2017 compared with 2.1 per cent in the previous month **(Table 6)**. However, the inflation rate remains well below the PBoC's inflation rate target of 4.0 per cent.

Table 5
Emerging Economies - Quarterly GDP Growth
(Year-on-Year Per Cent Change)

	2014			2015				2016			
	II	III	IV	I	II	III	IV	I	II	III	IV
China	7.5	7.1	7.2	7.0	7.0	6.9	6.8	6.7	6.7	6.7	6.8
India	7.5	8.3	6.6	6.7	7.5	7.6	7.2	7.9	7.1	7.3	n.a
Russia	1.1	0.9	0.2	-2.8	-4.5	-3.7	-3.8	-1.2	-0.6	-0.4	n.a
Brazil	-0.4	-0.6	-0.3	-1.8	-3.0	-4.5	-5.8	-5.4	-3.6	-2.9	n.a

Source: Bloomberg.

India remains the fastest growing economy in the world supported by a strong terms of trade position. Real GDP grew by 7.3 per cent (year-on-year) in the third quarter of 2016, higher than the 7.1 per cent expansion recorded in the previous quarter. Against the background of the still unfolding effects of the withdrawal from circulation of two denominations of bank notes effective November 9 2016, and bearing in mind its short term inflation target of 5.0 per cent, the Reserve Bank of India maintained its key policy interest rate at 6.25 per cent in January 2017. In January

2017, the inflation rate declined to 3.2 per cent (year-on-year) from 3.4 per cent in the previous month.

The Russian economy continued to decline owing to low oil prices and sanctions over Ukraine that closed access to capital markets. Economic activity contracted by 0.4 per cent (year-on-year) in the third quarter of 2016, the smallest contraction in seven quarters. Meanwhile, the inflation rate decelerated to 5.0 per cent (year-on-year) in January 2017 from 5.4 per cent one month earlier. At its February 2017 rate review meetings, the Bank of Russia decided to maintain the key policy interest rate at 10.0 per cent following the reduction of 50 basis points in September 2016. In other developments, Russia agreed to cut its oil production by 300,000 barrels per day by June 2017 in support of the attempt by the Organization of the Petroleum Exporting Countries (OPEC) to reduce global oil supplies.

Depressed economic conditions resulted in a contraction of the Brazilian economy by 2.9 per cent (year-on-year) in the third quarter of 2016 on account of lower exports and domestic demand. In January 2017, the Monetary Policy Committee of the Central Bank of Brazil reduced its benchmark interest rate by 75 basis points to 13.0 per cent primarily on account of weaker than expected domestic economic activity, uncertainty in the global economic environment and lower than expected inflation. Consumer prices in Brazil decelerated to 5.4 per cent (year-on-year) in January 2017, compared with 6.3 per cent one month earlier.

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

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
China	1.9	1.8	1.3	1.9	2.1	2.3	2.1	2.5
India	5.8	6.1	5.1	4.4	4.2	3.6	3.4	3.2
Russia	7.5	7.2	6.9	6.4	6.1	5.8	5.4	5.0
Brazil	8.8	8.7	9.0	8.5	7.9	7.0	6.3	5.4

Source: Bloomberg

Regional Economies

The economic performance of Caribbean countries was mixed during 2016 (Table 7). While economic activity improved in service-oriented economies, commodity-exporting economies experienced lacklustre growth. According to the IMF's October 2016 World Economic Outlook, economic growth in the Caribbean region was forecasted to have slowed to 3.4 per cent in 2016.

Jamaica

In November 2016, the IMF completed its thirteenth review of Jamaica's economic performance under the Extended Fund Facility (EFF) and approved a three-year Stand-By Arrangement valued at US$1.64 billion. According to the IMF, Jamaica has made significant strides in restoring economic stability and the new programme is aimed at sustainability. Increased output in the agriculture, forestry and fishing sectors underpinned the expansion in Jamaica's economic activity by 2.0 per cent (year-on-year) in the third quarter of 2016 compared to 1.4 per cent in the previous quarter. Jamaica's current account surplus of 2.0 per cent of GDP for the first six months of 2016 compared to a deficit of 1.4 per cent of GDP in a similar period one year earlier primarily due to the lower importation of mineral fuels, manufactured goods, chemicals and food.

Barbados

Despite the fiscal and macroeconomic challenges faced by Barbados, increased inflows from travel coupled with relatively low oil prices resulted in the expansion of the economy in 2016. Barbados has been grappling with one of the highest debt-to-GDP ratios in the region, along with the urgency to consolidate the government's fiscal deficit. Notwithstanding the delays in tourism projects at the beginning of 2016, economic activity in Barbados expanded by 1.6 per cent at the end of 2016 compared to 0.9 per cent over the same period one year earlier. The pick-up in economic activity did not put pressure on inflation as the consumer price index declined by 0.8 per cent (year-on-year) over the first six months of 2016, from a decline of 1.1 per cent in the corresponding period one year earlier. Furthermore, tourism growth was the primary contributor to the improvement of the external current account deficit to 4.5 per cent of GDP in December 2016 from a deficit of 5.7 per cent of GDP in the previous year.

Guyana

Guyana's economy was largely driven by the performance of the mining sector in 2016. Economic growth in Guyana expanded by 2.6 per cent (year-on-year) in 2016, lower than the initial forecast of 4.0 per cent on account of the dismal output performance of rice and sugar and a small decline in other manufacturing. The mining and quarrying sector is expected to remain resilient as small- and medium-sized miners respond to the concessions granted by government and as two foreign-owned companies increase production[2]. In early January 2017, ExxonMobil, a large refiner and marketer of petroleum products, announced its second offshore oil discovery in Guyana at the Payara- 1 well, a new reservoir on the Staborek Block. The discovery builds on the more than 1.0 billion barrels of oil equivalent from its previous discovery in the Liza field. Further evaluation of the broader Stabroek Block is planned for later in 2017. The development of the valuable offshore resources has the potential to provide long-term, sustainable benefits to the country.

Suriname

According to the IMF's November 2016 Article IV Mission to Suriname, the country's economic outlook remains challenging given the spillovers from the closure of the Suralco alumina plant and the contractionary impact of the fiscal adjustment. Suriname's recession continued into 2016 with the IMF revising the contraction in economic activity to 9.0 per cent for 2016 (following an Article IV Consultation concluded in November), deeper than the contraction of 7.0 per cent forecasted in the IMF's October 2016 World Economic Outlook. However, the economy is expected to recover

[2] Guyana Goldfields Incorporated and Troy Resources Limited.

somewhat in 2017 supported by the opening of the Newmont Merian gold mine. Inflation slowed to 52.4 per cent (year-on-year) in December 2016 following a rapid acceleration to 79.2 per cent (year-on-year) two months earlier. The floating of the exchange rate alongside tightened fiscal policy contributed to an improvement in the current account deficit to 6.2 per cent of GDP in the nine months to September 2016 compared to 15.9 per cent of GDP over the similar period one year earlier.

Box 1: PetroCaribe Developments

Beneficiaries of the PetroCaribe agreement have expressed concern regarding the financial sustainability of the Venezuela state-owned oil company Petróleos de Venezuela, S.A (PDVSA) as oil shipments have decreased in the face of lower oil production and cash flow problems of PDVSA. The PetroCaribe agreement is a Venezuelan energy-assistance programme which was launched in 2005 to contribute to the energy security of Central America and the Caribbean. The decline in production at PDVSA together with increased cash flow problems has reduced oil supplies to several PetroCaribe members[1] including Cuba, Jamaica, the Dominican Republic and Nicaragua.

Oil shipments to Cuba, the largest beneficiary of the PetroCaribe agreement, declined by 40.0 per cent to 53,500 barrels per day (bpd) in the first half of 2016 compared to the corresponding period one year earlier. This was partially offset by increased shipments of refined products including fuel oil, diesel and liquefied natural gas (LPG) resulting in an overall decline in total shipments of 19.5 per cent to 83,130 barrels per day (bpd). While the general downturn since 2014 in oil prices has benefitted oil-importing countries, it has worsened Venezuela's fiscal position thereby increasing the risks of a permanent reduction or complete termination of the preferential lending scheme for oil purchases from Venezuela. Either outcome could have important implications for Caribbean countries that are dependent on the PetroCaribe arrangement.

[1] The 19 countries involved in this arrangement are Antigua and Barbuda, the Bahamas, Belize, Cuba, Dominica, the Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, St Kitts and Nevis, St Lucia, St. Vincent and the Grenadines, Suriname and Venezuela.

Table 7
Selected Macroeconomic Indicators for the Caribbean
(Per Cent)

Indicator	Country	2011	2012	2013	2014	2015	2016[f]
General Government Gross Debt/GDP	Antigua and Barbuda	92.4	87.1	94.3	100.4	104.4	97.7
	The Bahamas	45.0	48.0	55.4	60.2	64.4	65.9
	Barbados	75.9	83.6	94.3	97.9	105.0	104.8
	Belize	82.3	78.3	78.3	77.2	81.9	94.8
	Dominica	69.7	72.4	74.3	82.2	82.5	84.5
	Dominican Republic	25.8	30.5	34.6	34.4	34.9	35.8
	Grenada	100.7	103.3	107.6	101.4	91.4	85.5
	Guyana	65.2	62.5	57.2	51.2	48.2	48.4
	Haiti	11.8	16.3	21.5	26.3	30.1	33.6
	Jamaica	140.4	145.1	139.8	136.8	120.4	118.9
	St. Kitts and Nevis	151.7	138.4	101.2	79.8	67.8	63.4
	St. Lucia	67.4	74.5	79.6	80.3	79.1	79.8
	St. Vincent and the Grenadines	68.8	72.0	74.6	79.7	79.3	85.0
	Suriname	19.8	21.4	31.4	29.0	43.5	52.0
	Trinidad and Tobago[1]	48.0	53.2	56.2	70.6	74.4	77.2
Current Account Balance/GDP	Antigua and Barbuda	-10.4	-14.6	-14.6	-14.8	-10.2	-9.4
	The Bahamas	-15.1	-17.9	-17.5	-22.0	-16.0	-11.4
	Barbados	-12.8	-9.3	-9.1	-9.9	-7.2	-5.3
	Belize	-1.1	-1.2	-4.6	-7.4	-9.8	-12.4
	Dominica	-14.1	-17.3	-9.7	-11.1	-9.3	-13.1
	Dominican Republic	-7.5	-6.6	-4.1	-3.3	-1.9	-2.4
	Grenada	-23.6	-21.1	-23.2	-16.5	-15.9	-12.7
	Guyana	-13.0	-11.6	-13.3	-10.7	-5.7	2.1
	Haiti	-4.3	-5.7	-6.3	-6.3	-2.5	0.4
	Jamaica	-12.2	-11.1	-9.2	-7.7	-3.4	-3.3
	St. Kitts and Nevis	-15.9	-9.8	-13.4	-12.1	-12.3	-17.2
	St. Lucia	-19.0	-13.6	-11.4	-6.8	-3.7	-6.7
	St. Vincent and the Grenadines	-29.4	-27.6	-30.9	-29.6	-26.2	-23.0
	Suriname	5.7	3.3	-3.8	-8.0	-15.7	-4.2
	Trinidad and Tobago	16.2	12.5	20.0	14.9	4.0	-5.2*
Real GDP Growth – per cent per annum	Antigua and Barbuda	-1.9	3.6	1.5	4.2	2.2	2.0
	The Bahamas	0.6	3.1	0.0	-0.5	-1.7	0.3
	Barbados	0.8	0.3	-0.1	0.2	0.9	1.7
	Belize	2.1	3.7	1.3	4.1	1.0	0.0
	Dominica	-0.2	-1.1	0.8	4.2	-1.8	1.5
	Dominican Republic	2.8	2.6	4.8	7.3	7.0	5.9
	Grenada	0.8	-1.2	2.4	7.3	6.2	3.0
	Guyana	5.4	4.8	5.2	3.8	3.2	4.0
	Haiti	5.5	2.9	4.2	2.8	1.2	1.5
	Jamaica	1.4	-0.5	0.2	0.5	0.9	1.5
	St. Kitts and Nevis	-1.9	-0.9	6.2	6.1	5.0	3.5
	St. Lucia	0.2	-1.4	0.1	0.4	2.4	1.5
	St. Vincent and the Grenadines	0.2	1.3	2.5	0.2	0.6	1.8
	Suriname	5.3	3.1	2.8	1.8	-0.3	-7.0
	Trinidad and Tobago	-0.3	1.3	2.7	-0.6	-0.6	-2.3

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

f Forecast.

1 Comprises of Central Government gross debt outstanding as well as government guaranteed debt.

* Jan-Jun 2016.

PART III: INTERNATIONAL COMMODITY PRICES

The prices of Trinidad and Tobago's major energy export commodities fell during the latter half of 2016. The Energy Commodity Price Index (ECPI)[3] which measures the price movements of the country's top ten energy-based commodity exports declined slightly during the second half of 2016. This was on account of sharp declines in petrochemical prices which outweighed an uptick in crude oil and natural gas prices. The index moved from an average of 76.4 during July to December 2015 to 71.3 in the six months to December 2016.

Despite volatility in the oil price market over the year, average crude oil prices during the second half of 2016 showed slight improvement from one year earlier. West Texas Intermediate (WTI) prices averaged US$47.01 per barrel over the last six months of 2016, an improvement of 6.4 per cent **(Table 8)**. The Brent crude oil price averaged US$48.63 per barrel during this period which represents a year-on-year increase of 3.0 per cent. During the year, prices were affected by several factors, most notably, increasing output from Iran after the lifting of sanctions by the US, militancy in Nigeria and wildfires in Canada. The markets garnered strength by the end of 2016 as an OPEC agreement to cut production by 1.2 million barrels per day supported prices into February 2017.

International gas prices showed marked improvement during the second half of 2016. US natural gas prices at the Henry Hub improved 20.6 per cent year-on-year, averaging US$2.93 per million British Thermal Units (mmbtu) over the six months to December 2016. Prices were buoyed in the US as an unusually warm summer and an unusually cold winter brought additional demand while falling supply was driven by a continued multi-year decline the number of active drilling rigs. This trend continued into 2017 with prices in January remaining relatively strong.

Fertilizer markets were characterized by weak fundamentals over the second half of 2016 as the markets remained plagued by weak demand. During the second half of 2016, ammonia prices averaged US$196.42 per tonne while urea prices averaged US$199.79 per tonne. These represented declines of 49.4 per cent and 23.8 per cent in the price of ammonia and urea, respectively. As at February 2017 however, a stronger crude oil price environment translated into higher prices for most major commodities.

Reduced demand kept international methanol prices low during the second half of 2016. Methanol prices averaged US$271.00 per tonne in the six months to December 2016, a decline of 25.2 per cent when compared to the same period in the previous year. The New Year saw considerable strength however, as the price increased to US$392.00 in February 2017 from US$267.00 in December 2016. Higher crude oil and natural gas prices, in addition to reduced output in Trinidad and Tobago, began adding upward pressure to market sentiment in early 2017.

[3] For details on the computation of the Energy Commodity Prices Index (ECPI), see Finch, K. and D. Cox. 2010. *The Energy Commodity Price Index*. Central Bank of Trinidad and Tobago Economic Bulletin, Volume XII No.2. p. 84.

Table 8
Prices of Selected Export Commodities

	US$/bbl[1]	US$/mmbtu[2]	US$/Tonne		
	Crude Oil (WTI[3])	Natural Gas (Henry Hub)	Ammonia (fob Caribbean)	Urea (fob Caribbean)	Methanol (fob Rotterdam)
2014	**93.11**	**4.37**	**505.59**	**360.32**	**513.46**
2015	**48.71**	**2.61**	**413.11**	**282.20**	**381.88**
2016	**43.19**	**2.49**	**235.11**	**206.81**	**272.08**
Jan-14	94.86	4.70	395.30	377.00	606.50
Feb-14	100.73	5.97	381.25	390.00	611.50
Mar-14	100.57	4.87	439.00	390.00	620.50
Apr-14	102.08	4.63	535.00	393.00	569.00
May-14	101.86	4.56	525.00	349.00	574.00
Jun-14	105.24	4.58	491.00	342.50	561.00
Jul-14	102.94	4.01	475.00	350.00	440.00
Aug-14	96.38	3.87	487.50	353.00	432.00
Sep-14	93.22	3.92	553.00	351.00	418.00
Oct-14	84.40	3.87	595.00	345.00	446.00
Nov-14	75.81	4.08	610.00	345.00	442.00
Dec-14	59.26	3.43	580.00	338.30	441.00
Jan-15	47.27	2.98	488.80	330.00	416.00
Feb-15	50.61	2.84	445.00	316.30	398.50
Mar-15	47.78	2.80	434.00	296.30	384.50
Apr-15	54.44	2.58	435.00	260.00	394.00
May-15	59.27	2.84	416.30	295.00	407.50
Jun-15	59.80	2.77	407.00	314.80	408.50
Jul-15	50.90	2.83	415.00	286.80	401.00
Aug-15	42.86	2.76	415.00	275.75	393.50
Sep-15	45.45	2.65	397.50	261.25	404.00
Oct-15	46.20	2.32	390.00	253.00	335.00
Nov-15	42.70	2.08	367.00	251.75	320.00
Dec-15	37.23	1.92	346.67	245.50	320.00
Jan-16	31.54	2.27	297.00	217.00	289.50
Feb-16	30.39	1.96	265.63	206.00	301.50
Mar-16	37.77	1.70	267.50	215.00	296.50
Apr-16	40.96	1.90	271.50	215.00	243.00
May-16	46.73	1.92	276.25	215.00	265.50
Jun-16	48.75	2.57	265.00	215.00	243.00
Jul-16	44.69	2.79	239.50	190.00	266.00
Aug-16	44.75	2.79	220.00	192.00	266.00
Sep-16	45.20	2.97	191.50	194.00	272.00
Oct-16	49.89	2.95	167.50	194.00	278.00
Nov-16	45.57	2.50	171.25	208.25	277.00
Dec-16	52.01	3.58	188.75	220.50	267.00
Jan-17	52.51	3.26	225.00	243.00	383.50
Feb-17	53.40	2.82	281.50	244.50	392.00

Sources: Bloomberg; Green Markets; Fertilizer week; Monthly Methanol Newsletter (TECNON).

All prices are monthly averages of published quotations and not necessarily realized prices.
1 US dollars per barrel.
2 US dollars per million British thermal units.
3 West Texas Intermediate.

PART IV: DOMESTIC ECONOMIC ACTIVITY

Energy Sector

The energy sector experienced declining economic activity in the second half of 2016. Weakness in the energy sector reflected contractions in crude oil, natural gas, LNG and petrochemical production which outweighed increases in petroleum refining. The Central Bank's Quarterly Index of Real Economic Activity **(See Box 2)** which is a weighted average of output changes in selected commodities[4], suggests that output from the energy sector declined by 14.6 per cent in the latter half of 2016.

Petroleum

The domestic petroleum industry registered a 7.7 per cent year-on-year decline in crude oil production in the second half of 2016. Over this six-month period, lower output was evident from several major producers including Petrotrin, bpTT, BHP Billiton and Repsol. Production levels were adversely affected by increased maintenance activity and declining yields during the period. Crude oil production averaged 69,952.3 barrels of oil per day (bpd) during July to December 2016, compared with 75,823.5 bpd over the corresponding period in 2015. Similarly, exploration activity experienced significant declines as evidenced by falloffs in both total depth drilled and rig days. Total depth drilled fell by 25.8 per cent while rig days declined by 26.1 per cent.

The Petrotrin refinery continued to reap benefits from upgrades completed in 2015. For the second half of 2016, refinery throughput improved 18.0 per cent year-on-year. Refinery throughput averaged 148,423.7 bpd over the six month period, compared to 125,794 bpd for the same period one year earlier. Refinery activity was supported by a 23.5 per cent increase in crude oil imports.

Natural Gas

Natural gas production fell by 15.4 per cent over the period July to December 2016. The sharp decline was largely attributable to a drop in production from bpTT. Output from the company fell to less than 1,200 million standard cubic feet per day (mmscf/d) in August **(Table 9)** reflecting downtime to facilitate the tie-in of the Juniper field. Juniper is expected to add up to 590 mmscf/d of gas when fully operational.

Production of both LNG and NGLs were affected by the activities of their upstream counterparts. Output from Atlantic LNG fell 16.0 per cent over the second half of 2016 as all four Atlantic Trains produced below capacity over the period, most noticeably Train 3 in August and Train 4 in September. With the large decline in natural gas output, production of natural gas liquids (NGLs) also fell 18.1 per cent (year-on-year) over the six-month period.

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[4] The Energy sector comprises six (6) sub-sectors with the following weights: Exploration and Production (23.01), Refining incl. LNG (7.05), Petrochemicals (7.1), Marketing and Distribution (2.74) Service Contractors (1.53). Sub-sector changes are multiplied by the weights and then aggregated to get overall sector performance during the reference period.

Table 9

Natural Gas Production

	Jul-Dec 2015	Jul-Dec 2016	% change
	mmcf/d	mmcf/d	
BPTT	1,915.3	1,604.8	-16.2
Trinmar	19.3	16.0	-17.2
Petrotrin	4.3	2.0	-53.8
EOG Resources	576.3	497.2	-13.7
Shell	805.5	656.8	-18.5
BHP Billiton	405.0	366.2	-9.6
Repsol	25.5	29.5	15.7
Total	**3,751.3**	**3,172.5**	**-15.4**

Source: Ministry of Energy and Energy Industries.

Nitrogenous Fertilizers

Fertilizer output declined by 3.2 per cent during the period July to December 2016, as output continued to be affected by disruptions to natural gas supplies. Several facilities underwent maintenance over the period as the petrochemicals sector continued to grapple with issues surrounding the availability of natural gas from upstream producers. The Yara, Tringen I and Tringen II plants were all taken down for various lengths of time during the period.

Methanol

Methanol production declined by 23.1 per cent as the sector faced several shutdowns. Three (3) of the country's seven (7) methanol plants endured major periods of downtime during July to December 2016 as natural gas feedstock was severely curtailed. The Trinidad and Tobago Methanol Company TTMC I plant was brought online in October 2016 after a 5-month outage while Methanol Holdings Trinidad Limited (MHTL) MIV plant was down during September 2016. The M5000, the largest methanol plant, was down for the month of October 2016. These shutdowns came in addition to shorter outages at other plants during the period under review. Additionally in the month of December, three facilities (TTMC I, TTMC II and the CMC plants) were all shut down.

Box 2: Quarterly Index of Real Economic Activity (QIEA)

Introduction

The Quarterly Index of Real Economic Activity (QIEA Index) is a base-weighted Laspeyres **quantity** index, defined as a weighted arithmetic average of quantity relatives with weights reflective of the base year (2010) value added. The Index is based on indicators of production or economic activity and, in the absence of official quarterly data from the Central Statistical Office (CSO)[1], is used to estimate shorter term changes in economic activity, which is essential in the conduct of monetary policy. The Index values and their corresponding per cent changes can be found in Appendix Table 1.

Methodology

The QIEA Index is disaggregated into several sectors: energy, agriculture, manufacturing, construction, distribution, water and electricity, transport, finance, government, hotels and guest houses, personal services and education. The sectors are further broken down into sub-sectors. For each sub-sector, suitable **indicators of economic activity** are selected and Laspeyres indices are computed for all indicators. The sectoral sub-indices are then weighed[2] to derive the sectoral indices which are further weighted (based on the contribution to GDP in 2010) to produce the overall Index.

The Index originated as the Quarterly Index of Gross Domestic Product (QGDP Index). In 1987 the Central Bank of Trinidad and Tobago (the Bank) introduced the Index in absence of official quarterly data from the CSO. Since then, the Index has been used to estimate of shorter term changes in economic activity, which is essential in the conduct of monetary policy. Effective February 2017, the QGDP Index will be renamed the Quarterly Index of Real Economic Activity (QIEA Index).

Reason for Change in Name of the Index

The name change will ensure greater precision in the use of the index and will more clearly identify the Index as an indicator of quarterly movements in economic activity, rather than an estimate of quarterly real GDP growth. Furthermore, the new name will eliminate the uncertainty that has at times arisen within the general public regarding whether the Index constitutes an official measure of quarterly GDP growth. Official measurement of GDP falls under the purview of the CSO.

Difference of QIEA from CSO's GDP Measure

The primary difference between the Bank's Index of Economic Activity and GDP compiled by the CSO is as follows: while the Bank produces an Index based on indicators of economic activity, the CSO produces detailed data on both nominal and real GDP measures on an annual basis using the value added method (gross output minus intermediate consumption). Another difference is that the Index of Economic Activity does not cover all sub-industries measured by the CSO. For example, within the Finance Insurance, Real Estate and All Other Business Services sector, the Bank does not measure Other Business Services in its methodology. Table 1 outlines the sub-sectors and their corresponding indicators used in the compilation of the QIEA Index.

1. The CSO is the official source of National Accounts Statistics. These statistics are compiled on an annual basis and published in the Review of the Economy. The CSO is working towards the production of quarterly GDP statistics.

2 Weights measure the sectors' contribution to GDP. Weights will not sum to 1000 since the overall weight includes the weight for Financial Intermediation Services Indirectly Measured (FISIM).

Box 2 Cont'd

Table 1
Sectors and Indicators

Sectors	Weights Per 1000	Indicators
Energy	414.6	Output of crude oil, natural gas production and utilization, LNG output, refinery throughput, output of Natural Gas Liquids, Rig Months and petrochemicals.
Construction	69.3	Local sales of cement, mined aggregates, sales of readymix concrete, hardware and construction materials, numbers employed in construction.
Water and Electricity	13.3	Water production and electricity generation.
Distribution	183.5	Deflated Retail Sales Index.
Finance	109.1	
Banks, NFIs and Central Bank	65.5	Deflated values of loans, deposits, investments, and fundraising instruments for both commercial banks and NFIs, and Central Bank employment.
Real Estate	9.4	Number of real estate mortgage loans from commercial banks.
Insurance	15.5	Deflated gross premiums of insurance companies.
Other	11.7	Number of account holders for the mutual funds industry, volume of shares traded on the stock exchange and numbers employed at DIC.
Transport	60.3	
Post Office	13.2	Volume of mails and parcels handled by TTPOST.
Airlines	14.1	Passenger arrivals and departures for all airlines.
Port	3.4	Number of containers handled by the Port of Port-of-Spain and Port of Point Lisas.
Telecommunications	22.4	Call minutes (mobile, fixed and international markets) for all service providers, internet subscriptions and pay television subscriptions.
Taxis, car rentals and Trucks	19.4	Number of trucks, hired cars and rental cars insured - quarterly insurance survey.
Government	76.8	Numbers employed.
Education	27.8	Student enrollment statistics.
Manufacturing	67.9	Output of surveyed manufacturing firms.
Agriculture	4.1	Agriculture output from NAMDEVCO and CSO.
Personal Services	11.8	Numbers employed.
Hotels & Guest Houses	4.3	Number of rooms sold.

Non-Energy Sector

Economic activity in some non-energy sub-sectors, such as Distribution, Construction and Manufacturing, contracted in the third quarter of 2016. Indicators used by the Central Bank for gauging construction activity such as local sales of cement, production of mined aggregates as well as partial data on sales of readymix concrete suggest that overall activity in the sub-sector may have declined significantly when compared to the similar period one year-earlier. Industry players partly attribute this to a fall-off in government spending under the Public Sector Investment Programme[5]. Estimates from the Central Bank's Quarterly Index of Real Economic Activity suggest that distribution activity contracted by 8.2 per cent (year-on-year) driven in large part by a fall in the retail sales of motor vehicles (27.3 per cent) and the retail sales of construction materials and hardware (30.4 per cent).

Activity in the manufacturing sector is estimated to have declined by 4.3 per cent primarily owing to lower chemicals and assembly-type output. Production in the chemicals and non-metallic minerals sub-sector declined by 12.9 per cent on account of lower production of construction related items while the assembly type and related industries sub-sector also recorded a notable decline reflecting loss in output from ArcelorMittal, which was shut down in December 2015. Capacity utilization[6] among firms in the manufacturing sector (67.8 per cent) remained relatively unchanged indicating that spare capacity continues to be high **(Table 10)**. The output of electricity and water declined by 3.7 per cent (year-on-year) in the third quarter of 2016 due to reduced electricity generation; this may also be attributable to the closure of ArcelorMittal, which was the largest single industrial consumer of electricity. Meanwhile, the finance, insurance and real estate sub-sector, which has generally buoyed the non-energy sector with significant increases, rose marginally by 0.8 per cent on account of an increase in commercial banking activity (deposits, loans and investment). This outweighed the decline in activity in trust companies, real estate and mutual funds during the period. Economic activity in the agriculture sector was tepid, increasing by 0.4 per cent based on data available from the National Agricultural Marketing and Development Corporation (NAMDEVCO).

[5] Capital expenditure decreased by 76.1 per cent (year-on-year) in the third quarter of 2016.
[6] The ArcelorMittal steel plant was subsequently removed from the sample frame of the Manufacturing Index.

Table 10
Capacity Utilization in the Manufacturing Sector[7]

	2014				2015				2016^p		
	QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII
Manufacturing	69.7	69.7	70.8	72.9	66.9	72.2	68.0	68.5	67.6	70.2	67.8
Food, Drink & Tobacco	78.8	75.3	78.7	83.4	73.5	80.8	77.1	77.7	73.3	74.8	75.9
Chemicals and Non-Metallic Minerals	62.9	71.0	67.5	67.7	64.2	70.4	64.6	63.4	58.1	60.9	57.8
Assembly Type and Related Industries[1]	56.6	50.5	46.4	45.0	49.6	42.7	48.2	33.7	60.9	61.6	60.7

Source: Central Bank of Trinidad and Tobago.

p Provisional.

1 The computation of the capacity utilization rate from the first quarter of 2016 (QI-16) no longer includes capacity output from ArcelorMittal's steel plant in Point Lisas because of its closure in 2015.

Productivity

Lower domestic production contributed to a fall-off in productivity in the fourth quarter of 2016. The Index of Productivity, measured as the Index of Domestic Production divided by the Index of Hours Worked, declined by 3.7 per cent (year-on-year) in the fourth quarter of 2016 – the fifth consecutive quarter of decline in the Index of Productivity. This compares with a decline of 7.1 per cent (year-on-year) in the corresponding period one year earlier. The deterioration in productivity was a result of a decline in output of 6.4 per cent which more than offset the 2.9 per cent fall in hours worked. Within the energy sector, the Refining of Gas sub-sector recorded the largest decline in productivity of 4.7 per cent (year-on-year). Subdued economic activity within the non-energy sector resulted in the "All Industries" sub-index (exclusive of energy) declining by 6.7 per cent in the fourth quarter of 2016. The largest decreases in productivity were observed in the Electricity (15.6 per cent), Water (13.4 per cent), and Assembly Type and Related Products (11.1 per cent) sub-sector. The decline in the Assembly Type and Related Products sub-sector reflected the adverse impact of the closure of Arcelor Mittal on the iron and steel industry.

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7 Capacity utilization rates, which compare actual output to some measure of potential output, can be computed at the individual company or at more aggregated levels. The capacity utilization rate is merely the ratio of actual to the potential output: CU rate = Y/Y*100 Where Y is observed output, Y* is potential output, and CU is capacity utilization. The manufacturing sector is sub-divided into seven sub-sectors in accordance with the Trinidad and Tobago System of National Accounts (TTSNA). These sub-sectors are Food, Drink and Tobacco (FDT), Chemicals & Non-Metallic Minerals (CNM), Assembly Type & Related Industries (ARI), Printing, Publishing, Etc (PPE), Textiles, Garment & Footwear (TGF), Wood & Related Products (WRP) and Miscellaneous Manufacturing Industries (MMI). The rates at the firm level are aggregated to derive the capacity utilization rates at the sub-sector level using the relevant weights (For further details, see Ramlochan, K. 2010. *Measuring Capacity Utlization in the Manufacturing Sector of Trinidad and Tobago*. Central Bank of Trinidad and Tobago Economic Bulletin, Volume XII No.2. p. 77.

PART V: LABOUR MARKET

The latest available official information indicated that labour market conditions deteriorated further in the first half of 2016. Official unemployment statistics from the Central Statistical Office (CSO) revealed that the unemployment rate increased to 4.4 per cent in the second quarter of 2016, up from 3.8 per cent in the previous quarter and 3.2 per cent in the corresponding quarter of 2015 **(Table 11)**. While there was a large reduction in the number of persons with jobs (16,200 persons), 8,200 persons left the labour force resulting in 8,000 persons reported as unemployed over the twelve months to June 2016. The participation rate edged downwards from 61 per cent in the second quarter of 2015 to 60 per cent in the second quarter of 2016.

The increase in job separation – evidenced by the decrease in the number of persons with jobs – reflects a softening in the demand for labour. Considerable job losses were experienced in the Wholesale and Retail Trade, Restaurants and Hotels (13,300 persons), Construction (10,400 persons), Agriculture (1,900 persons) and Manufacturing (700 persons) sectors over the June-2015 to June-2016 period **(Table 12)**. These job losses were partly offset by increases in employment in the Transport, Storage and Communication (4,600 persons), Finance (4,400 persons) and Community, Social and Personal Services (3,300 persons) sectors.

The highest rates of unemployment were recorded among youths, elementary workers, and secondary school leavers with zero passes. The 15-19 age group recorded an unemployment rate of 13.3 per cent, while the rate for the 20-24 age group was 11.2 per cent. Meanwhile, all other age groups showed unemployment rates ranging between 0.9 per cent and 6.5 per cent. Within occupational groupings, elementary workers[8] had the highest unemployment rate of 6.6 per cent in the second quarter of 2016, more than double the unemployment rate recorded for this occupational grouping in the corresponding quarter of 2015 (3.0 per cent). In terms of educational attainment, persons who attended secondary school but achieved no subjects had the highest unemployment rate in the second quarter of 2016 (8.5 per cent) - much higher than the unemployment rate (3.6 per cent) recorded in the same quarter of 2015.

Early labour market indicators for the period July to December 2016 suggest that job separation continued, but at a slower pace when compared to one year earlier. Since recent official statistics from the CSO is unavailable, retrenchment notices filed with the Ministry of Labour and Small Enterprise Development are used to gauge job separation[9]. The number of reported persons retrenched declined to 518 during the last six months of 2016 compared to 1,081 persons in the corresponding period a year prior **(Chart I)**. The main sectors affected included Finance (178 persons), Manufacturing (112 persons), Distribution (108 persons), Petroleum and Mining (78 persons) and Transport, Storage and Communication (37 persons). Moreover, other evidence

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[8] Elementary occupations involve the performance of simple and routine tasks which may require the use of hand-held tools and considerable physical effort. Most occupations in this occupational group require skills which have been acquired from primary education. On-the-job training and/or experience may supplement formal preparation or replace it partly or wholly (Source: The National Occupational Classification of Trinidad and Tobago 2013).

[9] This indicator for job separation is limited insofar as it only includes registered retrenchment notices, and does not capture other forms of job separation, especially the non-renewal of contracts of temporary or short-term workers. Retrenchment refers to the termination of employment of a worker at the initiative of an employer for the reason of redundancy according to the Retrenchment and Severance Benefits Act (No. 32 of 1985). The act states that, "*where an employer proposes to terminate the services of five or more workers for the reason of redundancy he shall give formal notice of termination in writing to each involved worker, to the recognised majority union and to the Minister of Labour*". As such, if fewer than five employees are retrenched, employers are not obligated to report to the Ministry.

suggests that the demand for labour continued to soften during the second half of the year as the number of job openings[10] advertised in the major local newspapers declined by 29.4 per cent (year-on-year).

Table 11
Selected Labour Indicators[1]

	QI-15	QII-15	QIII-15	QIV-15	QI-16	QII-16
Unemployment Rate (%)	3.6	3.2	3.4	3.5	3.8	4.4
Total Labour Force	646,000	649,100	642,100	643,900	641,900	640,900
Total Persons with Jobs	622,800	628,600	620,200	621,600	617,800	612,400
Total Male Unemployed	11,100	8,700	10,700	12,700	13,800	15,400
Total Female Unemployed	12,100	11,800	11,200	9,600	10,300	13,100
Male Participation Rate (%)	71.4	71.8	70.8	70.9	69.9	70.0
Female Participation Rate (%)	50.1	50.2	49.8	50.0	50.4	50.0

Source: Central Statistical Office.

[1] Numbers may not sum due to rounding.

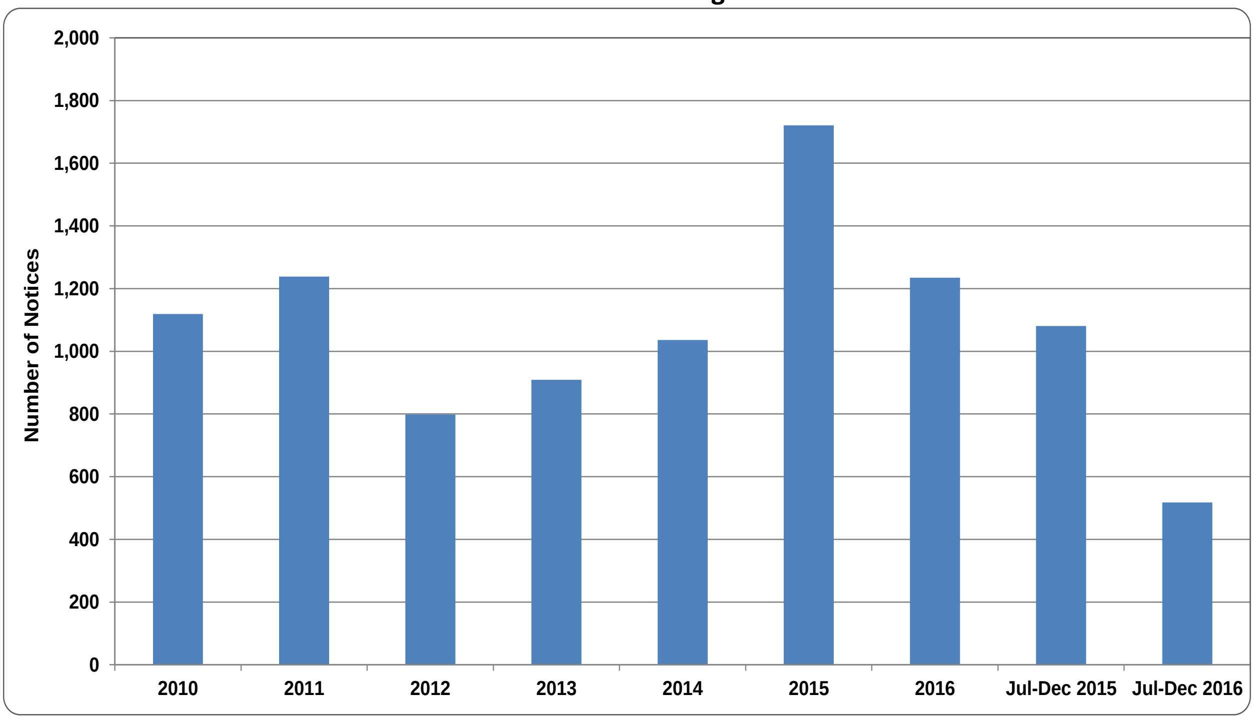
[10] This indicator is constructed by the Central Bank using the number of employment vacancies advertised in the Daily Express, Newsday and Guardian newspapers.

Table 12
Sectoral Distribution of Employment
(000s Persons)

Sectors	QII 2015		QII 2016		Change	
	Employment	Unemployment	Employment	Unemployment	Employment	Unemployment
Agriculture	21.1	0.5	19.2	0.2	-1.9	-0.3
Petroleum & Gas	18.5	0.8	18.8	0.6	0.3	-0.2
Manufacturing (including Mining & Quarrying)	52.4	1.7	51.7	2.8	-0.7	1.1
Construction (including Electricity & Water)	109.7	5.4	99.3	8.6	-10.4	3.2
Transport, Storage & Communications	42.3	0.5	46.9	1.3	4.6	0.8
Other Services	381.5	11.3	375.9	14.8	-5.6	3.5
Of which:						
Wholesale & Retail	116.7	5.3	103.4	6.0	-13.3	0.7
Community, Social & Personal Services	209.8	4.6	213.1	6.4	3.3	1.8
Finance, Insurance & Real Estate	55.0	1.4	59.4	2.4	4.4	1.0
Not classified	3.2	0.4	0.7	0.0	-2.5	-0.4
Total	**628.6**	**20.5**	**612.4**	**28.5**	**-16.2**	**8.0**

Source: Central Statistical Office.

Chart I
Retrenchment Notices Registered



Source: Ministry of Labour and Enterprise Development.

PART VI: DOMESTIC PRICES

Headline inflation remained relatively stable during the second half of 2016 as the dampening effects of slow economic activity may have outweighed the inflationary effects of select fiscal measures. According to the Central Statistical Office's (CSO) Index of Retail Prices (January 2015=100), headline inflation measured 3.1 per cent (year-on-year) in December 2016 compared with 2.9 per cent in July 2016 and 2.4 per cent at the start of the year **(Chart II)**. Over the period January to December 2016, the depreciation of the domestic currency combined with the lingering price impacts of fiscal measures[11] in early 2016 added upward pressure to local prices. However, the falloff in aggregate demand due to a slackening in labour market conditions may have moderated upward price pressures.

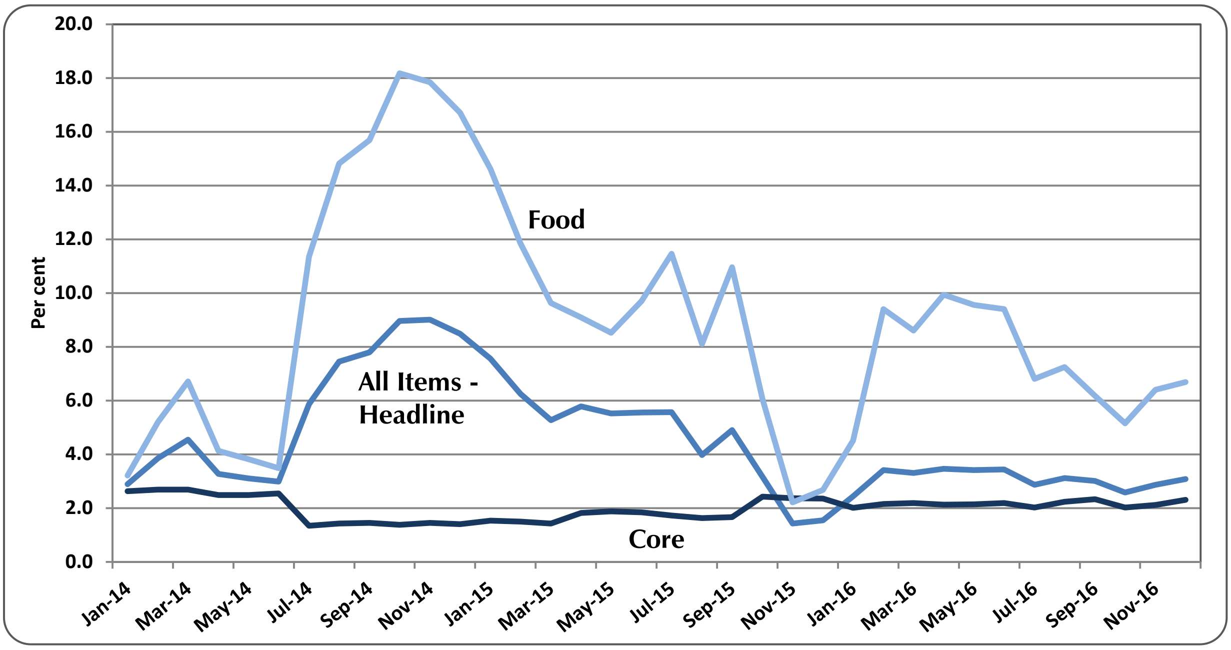
Core inflation, a measure of underlying inflationary pressures, was restrained over the six-month period ending December 2016. In December 2016, core inflation measured 2.3 per cent, compared to 2.0 per cent in January and July 2016. The health sub-index registered faster rates of price increases, most notably, in the pharmaceutical component. In December 2016, prices within the health sub-index rose by double-digits (15.4 per cent), following increases of 5.5 per cent in July 2016 and 0.9 per cent in January 2016. Additionally, fuel price adjustments in October 2015 and April 2016 led to higher transportation inflation, which measured 4.6 per cent in September 2016 but slowed to 3.0 per cent in December 2016. In contrast, the housing sub-index declined by close to 1 per cent in December 2016 driven mainly by deflation within the owner-occupied category.

Food inflation eased over the period July to December 2016 as there were no major disruptions to agricultural supplies. After nearing double-digits in the first half of the year as a result of the widening of the VAT-base, food inflation slowed in the subsequent months led by a deceleration in the meat index. In December 2016, food inflation measured 6.7 per cent, down marginally from 6.8 per cent in July but higher than the 4.5 per cent recorded at the start of the year before the VAT adjustments.

After a lengthy period of decline, global food prices rose steadily between August 2016 and December 2016. However, these price increases may not yet have passed through to domestic prices**.** The Food and Agriculture Organisation's (FAO) Food Price Index rose by 7.5 per cent (year-on-year) in August 2016 – the first increase since June 2013. The index continued to rise in the following four months with the largest year-on-year increase registered in December 2016 (12.0 per cent). A mix of supply constraints and higher demand led to increases within the meat (7.7 per cent), dairy (28.8 per cent), oils (29.3 per cent) and sugar (26.3 per cent) price indices in December 2016. However, the cereals price index declined by 6.2 per cent

[11] These include changes to the Value Added Tax (VAT) system, the Petroleum Subsidy, the business levy and the green fund levy.

Chart II
Index of Retail Prices[1]
(Year-on-Year Per cent Change)



Source: Central Statistical Office.

[1] Data for the period February to March 2015 have been revised due to the recently concluded rebasing exercise conducted by the Central Statistical Office. Prior to 2015, there was a loss of additivity among the sub-indices due to the splicing of the rebased RPI series (January 2015=100) with the previously existing series (January 2003=100), which possessed a different weighting structure.

Producer Prices

Producer price increases slowed towards the end of 2016. According to the CSO's Quarterly Index of Producers' Prices (PPI), producer prices increased by 1.1 per cent (year-on-year) in the final quarter of 2016 compared with increases of 1.3 per cent in the previous quarter, and 2.9 per cent in the corresponding period of the previous year. This was attributed to slower price increases in the drink and tobacco sub-sector in the last quarter of 2016 of 2.6 per cent compared to 3.8 per cent in the previous quarter. Movements across other sub-sectors were negligible with the exception of the chemicals and non-metallic products sub-sector which increased 1.0 per cent in the fourth quarter compared with a 0.1 per cent increase in the third quarter of 2016[12].

Building Materials Prices

In keeping with the subdued climate within the construction industry, the retail prices of building materials remained restrained over the second half of 2016. According to the Index of Retail Prices of Building Materials, a decline of 0.1 per cent was recorded in the third quarter of 2016, while there was a marginal increase in the index of 0.4 per cent in the fourth quarter of 2016. The increase was spurred by marginal upturns in the walls and roof (1.4 per cent) and plumbing and plumbing fixtures

[12] The other main sub-sectors of the PPI include: i) food processing; ii) textiles, garments and footwear; iii) printing, publishing and paper converters; iv) wood products; and v) assembly-type and related industries.

(0.1 per cent) indices. Site preparation, structure and concrete framing was lower by 0.1 per cent, windows, doors and balustrading declined by 0.1 per cent, while finishing, joinery units, painting and external works fell by 1.6 per cent.

PART VII: CENTRAL GOVERNMENT FISCAL OPERATIONS

The fiscal performance continued to be constrained by the weak global energy markets and lower domestic energy production. Latest revised estimates from the Ministry of Finance show an overall fiscal deficit of $7.3 billion (5.0 per cent of GDP) for fiscal year (FY) 2015/16 (October 2015 - September 2016). This compares with an initially budgeted deficit of $2.8 billion and a FY 2014/15 deficit outturn of $2.7 billion (1.8 per cent of GDP) **(Table 13)**. The larger deficit was primarily the result of steeper declines in revenue than in expenditure**.** Total revenue decreased sharply by $12.3 billion to just under $45.0 billion while total expenditure fell by $7.7 billion to $52.2 billion. The non-energy fiscal deficit reached $13.9 billion in FY 2015/16 (9.4 per cent of GDP) from $16.4 billion in FY 2014/15 (10.6 per cent of GDP). The protracted period of lower-than-budgeted crude oil prices influenced the government's withdrawal of TT$2.5 billion from the Heritage and Stabilization Fund (HSF) in FY 2015/16 to finance its operations, making this the first withdrawal from the HSF since it was established in 2007.

Preliminary estimates indicate that the Central Government incurred a deficit of $2.5 billion (annualized 6.4 per cent of GDP) on its fiscal accounts in the first three months of FY 2016/17 (October-December 2016). This compares with a deficit of $775.1 million (annualized 2.1 per cent of GDP) in the corresponding period one year earlier. Total receipts declined 28.8 per cent (year-on-year) to reach just under $8.0 billion owing to the sharp fall-off in non-energy receipts and energy revenue. Non-energy revenue fell by 29.1 per cent to $6.3billion largely on account of a significant falloff in non-tax revenue. Non-tax revenue fell to $897.0 million during the period October to December 2016 from $2.3 billion during the same period in 2015. The decline in non-tax revenue reflected the inclusion of the proceeds from the Phoenix Park IPO ($1.5 billion) in the 2015 period. Revised data also point to a slowdown in other categories of non-energy receipts, including collections on goods and services and international trade. Additionally, energy revenue declined by $283.4 million primarily on account of lower domestic energy sector output as energy commodity prices was higher than in the comparative period of 2015[13]. Capital revenue also fell to $582.3 million from $961.5 million in the first quarter of FY 2016/17.

Total expenditure declined by 12.8 per cent to $7.5 billion in the first three months of FY 2016/17 as spending on goods and services and transfers and subsidies contracted. Spending on goods and services decreased to $1.0 billion reflecting Government's cutback in discretionary spending. Transfers and subsidies fell by 16.1 per cent to approximately $6.2 billion on account of lower subventions to Statutory Boards and Similar Bodies and petroleum subsidy payments[14]**.** On the other hand, expenditure on wages and salaries grew by $55.9 million to $2.3 billion in the first three months of FY 2016/17. Expenditure on the capital programme waned by 44.0 per cent to $325.8 million given administrative delays in project implementation.

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[13] Available energy production data for the first quarter of FY2016/17 show crude oil production declined to average 72,020.2 barrels per day (b/d) from 75,206.7 b/d for the comparative period to December 2015. Similarly, there was a fall in natural gas production over the same period in 2016 to 3,308.7 million standard cubic feet per day (mmscf/d) from 3,711.7 mmscf/d. However, as it relates to prices, West Texas Intermediate (WTI) crude oil prices averaged US$49.20 per barrel over the period October to December 2016, compared to US$42.00 per barrel in the corresponding period one year ago. Similarly, Henry Hub natural gas prices averaged US$3.00 per million British Thermal Units (mmbtu) over the period October to November 2016, compared to US$2.10 per mmbtu in the corresponding period one year ago.

[14] Petroleum subsidy payments amounted to $38 million in the first quarter of FY 2016/17 compared to $150.2 million in the comparative period of FY 2015/16.

Table 13
Summary of Central Government Fiscal Operations
(TT$ Millions)

	2012/2013	2013/2014	2014/2015	2015/16[re]	2016/2017[b]	Oct. 16-Dec.16	Oct.15-Dec.15
TOTAL REVENUE	**52,760.2**	**58,378.4**	**57,233.8**	**44,941.8**	**47,441.3**	**7,988.0**	**11,222.5**
Current Revenue	52,258.7	57,061.9	52,244.5	41,026.6	38,701.2	7,405.7	10,261.0
Energy Revenue	26,603.6	28,111.3	18,660.9	6,584.6	6,530.6	1,150.1	1,433.5
Non-Energy Revenue	25,655.2	28,950.6	33,583.7	34,442.0	32,170.6	6,255.7	8,827.5
Income	10,294.5	11,253.4	13,096.1	12,512.4	12,227.3	2,760.8	3,187.1
Property	4.2	3.5	3.3	3.0	503.0	0.4	0.8
Goods & Services	8,438.3	7,575.8	9,218.4	9,032.0	10,380.3	1,808.2	2,391.7
International Trade	2,587.7	2,861.5	3,014.2	3,003.2	2,965.8	789.3	915.7
Non-Tax Revenue	4,330.4	7,256.5	8,251.6	9,891.4	6,094.2	897.0	2,332.2
Capital Revenue	501.4	1,316.5	4,989.2	3,915.2	8,740.1	582.3	961.5
TOTAL EXPENDITURE	**57,668.6**	**62,820.5**	**59,943.6**	**52,234.9**	**53,475.1**	**10,456.1**	**11,997.6**
Current Expenditure	49,228.8	54,385.7	52,322.9	47,526.2	48,375.1	10,130.2	11,409.5
Wages and Salaries	9,171.5	8,590.9	10,077.1	9,750.1	10,601.4	2,321.0	2,261.5
Goods and Services	7,180.1	8,008.8	8,105.4	7,250.7	6,787.1	1,027.3	1,124.7
Interest Payments	2,808.7	3,122.6	3,438.4	3,027.9	3,675.1	541.0	584.1
Transfers and Subsidies[1]	30,068.4	34,663.5	30,702.0	27,497.5	27,310.9	6,241.0	7,439.2
Capital Expenditure and Net Lending[2]	8,439.8	8,434.8	7,620.8	4,708.7	5,100.0	325.8	588.2
Current Account Surplus (+)/Deficit (-)	**3,030.0**	**2,676.1**	**-78.4**	**-6,499.6**	**-9,673.9**	**-2,724.5**	**-1,148.5**
Current Account Surplus /Deficit (% of GDP)[3]	1.8	1.6	-0.1	-4.4	-6.3	-7.1	-3.1
Overall Surplus (+)/Deficit (-)	**-4,908.5**	**-4,442.1**	**-2,709.9**	**-7,293.1**	**-6,033.8**	**-2,468.0**	**-775.1**
Overall Surplus /Deficit (% of GDP)[3]	-2.9	-2.6	-1.8	-5.0	-3.9	-6.4	-2.1
Financing	**4,908.4**	**4,442.2**	**2,709.9**	**7,293.1**	**6,033.8**	**2,468.0**	**775.1**
Foreign Financing	-155.1	3,312.4	-199.2	9,783.2	1,538.8	-101.8	-94.1
Domestic Financing	5,063.5	1,129.8	2,909.0	-2,490.1	4,495.0	2,569.8	869.2
Memo items:							
Non-Energy Fiscal Deficit[4]	-31,512.0	-32,553.4	-21,370.8	-13,877.7	-12,564.4	-3,618.1	-2,208.6
Non-energy Fiscal Deficit (% of GDP)[3]	-18.6	-19.3	-13.8	-9.4	-8.1	-9.4	-6.0
Transfers to the HSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (Fiscal Year)	169,039.0	168,402.6	154,626.0	146,994.7	154,447.8	154,447.8	146,994.7

Source: Ministry of Finance.

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

2 Includes an adjustment for Repayment of Past Lending for fiscal years 2013, 2014, 2015 .

3 Fiscal flows have been annualized for the computation of ratios for the period October-December.

4 Computed as the sum of non-energy revenue and capital revenue less total expenditure.

re Revised Estimates.

b Budgeted.

PART VIII: PUBLIC SECTOR DEBT

Public sector debt is estimated to have decreased marginally during the first quarter of FY 2016/17. Preliminary estimates for the period October to December 2016 reveal that public sector debt stood at $119.3 billion compared with $119.7 billion at the end of September 2016. **(Table 14)**. Excluding debt for sterilization purposes, total public sector debt as at September 2016 was 60.1 per cent of GDP compared to 56.6 per cent of GDP at the end of December[15].

Central Government domestic debt, excluding sterilized securities and contingent liabilities, is estimated to have increased by less than 1 per cent. During the quarter, the Government issued a $1.0 billion bond under the Development Loans Act[16]. The resultant rise in domestic debt was however partly offset by the $476.5 million repayment of CLICO zero-coupon bonds which matured in October 2016 and a $150.0 million partial repayment on the $1.5 billion Floating Rate Bond issued with First Citizens Bank in November 2015. Contingent debt is estimated to have declined by $1.3 billion on account of the maturation of state enterprise bonds as well as amortisation payments on existing loans and bonds. The maturing bonds include the Education Facilities Company Limited (EFCL) $400 million bond, the EFCL Bridge Facility up to $285.3 million for construction of Early Childhood Care and Education (ECCE) centres, and the Urban Development Corporation of Trinidad and Tobago (UDECOTT) $496.0 million bond for the outfitting of the Government Campus Plaza. New state enterprise borrowing included borrowings of a $90.0 million bond by UDECOTT for the Brian Lara Cricket Stadium and a $400 million bond by National Insurance Property Development Company Limited (NIPDEC) to finance the Programme for Upgrading Roads Efficiency Unit (PURE).

External debt is estimated to have increased by 1.2 per cent to $21.5 billion. The increase in external debt was primarily on account of a US$38.1 million disbursement by the Inter-American Development Bank for the purposes of the Multiphase Wastewater Rehabilitation Programme. Total disbursements during the October to December quarter are estimated at US$51.2 million. During the quarter, principal repayments, mainly for commercial loans, were estimated at US$16.5 million.

[15] This was due to higher repayments in October- December which led to a fall in the debt stock as well as a higher nominal GDP for FY 2016/17 used in the budget when compared to FY 2015/16.

[16] The bond was initially issued for $500.0 million, but was significantly oversubscribed and consequently increased to $1.0 billion.

Table 14
Public Sector Debt Outstanding
(TT$ Million)

	Sep-16[p]	Dec-16[e]
TOTAL GROSS PUBLIC DEBT	**119,676.0**	**119,261.4**
CENTRAL GOV'T DOMESTIC DEBT	**67,290.0**	**67,949.4**
Bonds and Notes	37,462.0	37,707.0
Of which:		
*General Development Bonds**	*16,904.3*	*17,626.1*
CLICO fixed-rate Bonds	*14,193.8*	*14,193.8*
CLICO zero-coupon Bonds	*3,488.8*	*3,010.1*
HCU zero-coupon bonds	*305.1*	*307.2*
Liquidity Absorption Bonds	*0.0*	*0.0*
Treasury Bonds	*2,559.3*	*2,559.3*
Other [1]	*10.7*	*10.5*
Treasury Bills	19,788.9	20,464.7
Treasury Notes	9,052.8	8,794.8
Debt Management Bills	800.0	800.0
BOLTS	186.3	183.0
CENTRAL GOV'T EXTERNAL DEBT	**21,274.5**	**21,532.1**
CONTINGENT DEBT	**31,111.5**	**29,779.9**
State Enterprises	19,724.2	18,415.6
Statutory Authorities	11,387.3	11,364.3
Per Cent of GDP		
Total Public Debt	81.4	77.2
Total Public Debt (excl. sterilized debt)**	60.1	56.6
Central Government Domestic Debt (excl. sterilized debt)	24.4	23.4
External Debt	14.5	13.9
Contingent Liabilities	21.2	19.3
Memo:		
Nominal GDP (Fiscal Year)[2]	146,994.7	154,447.8

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

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 Central Statistical Office (CSO). For 2015/2016, GDP is sourced from the Ministry of Finance.
* Includes Central Government domestic loans.
** Excludes all debt issued for sterilization purposes including: Treasury Bills (OMOs), Treasury Notes, Treasury Bonds and liquidity absorption bonds.

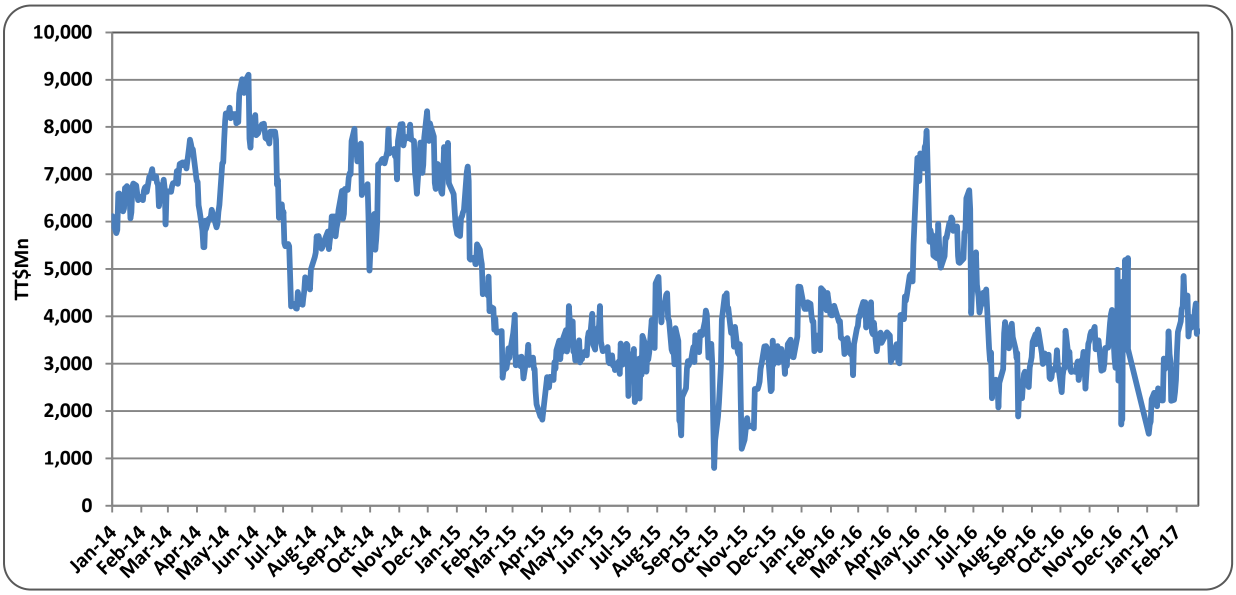
PART IX: MONEY, CREDIT AND INTEREST RATES

In the second half of 2016, economic activity continued to deteriorate, labour market conditions weakened and credit growth slowed. Considering these factors, and with underlying inflation well contained, the Central Bank of Trinidad and Tobago maintained its broadly accommodative monetary policy stance. During July to December 2016 the Bank held its key policy interest rate at 4.75 per cent; the same level since January 2016. The Monetary Policy Committee of the Central Bank, at its first meeting in January 2017, decided to retain the Repo rate at 4.75 per cent against the background of still-low inflation and moderate growth prospects for the domestic economy in 2017.

Liquidity levels in the financial system moderated significantly throughout the second half of 2016. Excess liquidity, measured by commercial banks' holdings of reserves at the Central Bank in excess of the statutory requirement, averaged $3.4 billion daily over July to December 2016 compared with $4.6 billion daily over the first half of 2016 **(Chart III)**. The lower level of daily excess reserves represented a tighter liquidity management approach by the Bank in the second half of the year after the Bank allowed some liquidity build up to accommodate government borrowing in the market in the first half of 2016. Net domestic fiscal injections, the major source of liquidity in the domestic economy, amounted to $5.2 billion during the period – higher than total injections of $3.1 billion in the first half of 2016. However, the Bank withdrew roughly $1.2 billion from the financial system via open market operations (OMO) compared with net maturities of $282.9 million in the first half of 2016. Additionally, sales of foreign exchange to authorized dealers indirectly withdrew $7.4 billion in the July to December 2016 period, higher than the $4.6 billion withdrawn in this way over the first six months of 2016. The decrease in excess reserves over the period was not large enough to spur increased interbank activity, which remained relatively steady in the second half of 2016. After averaging $23.8 million daily over the first half of 2016 at an average interbank rate of 0.61 per cent, interbank activity declined slightly to a daily average of $21.8 million at an average rate of 0.50 per cent in the subsequent six months.

Daily average excess reserves decreased from 4.0 billion in December 2016 to $2.4 billion in January 2017, before climbing back up to $3.9 billion in February 2017. During the period January to February 2017, domestic fiscal operations injected $517.5 million into the domestic financial system. Meanwhile, open market operations by the Central Bank resulted in $2,236 million in net maturities of open market instruments to facilitate the issue of a $1 billion Government bond on February 14. Sales of foreign exchange to the authorized dealers indirectly withdrew $2,339 million from the financial system in the first two months of 2017. Declining liquidity in January was reflected in interbank activity levels, which reached a daily average of $100.6 million, its highest level since November 2015, before falling to a daily average level of $12.8 million in February 2017. Interbank activity took place at an average interbank interest rate of 0.50 per cent in January and February 2017. Additionally, the repurchase facility of the Central Bank was accessed for $105.4 million in January 2017.

Chart III
Commercial Banks' Excess Reserves



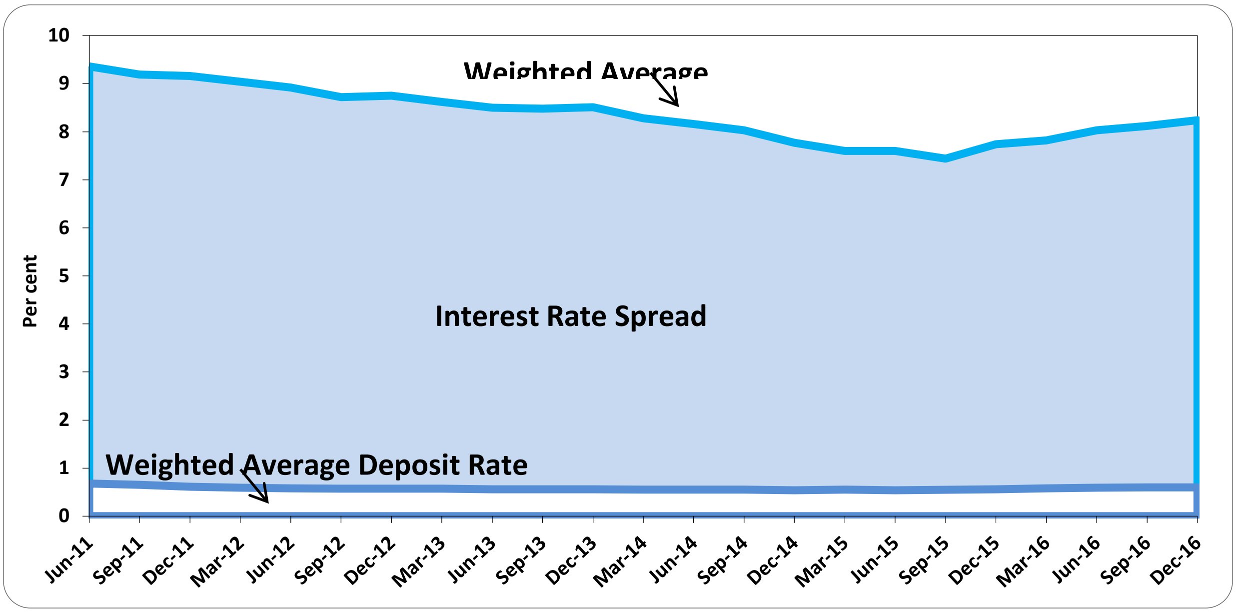
Source: Central Bank of Trinidad and Tobago.

Interest rates in the banking system continued to trend upward and bank spreads widened in the second half of 2016. The commercial banks' weighted average lending rate increased to 8.24 per cent in December 2016 from 8.03 per cent in June 2016. The weighted average deposit rate increased to 0.60 per cent from 0.59 per cent over the same period, continuing to display its characteristic stickiness. As a result, the banking spread increased by 20 basis points to 7.64 per cent over the period June to December 2016 **(Chart IV)**. On the other hand, the median prime lending rate of commercial banks remained at 9.00 per cent over July to December 2016, where it has stood since January 2016, since the pause in the Repo rate.

Other short-term interest rates remained steady in the second half of 2016. The rate on the 91-day OMO Treasury bill remained at 1.20 per cent between July and December 2016, where it has stood since February. The rate on the 182-day OMO TT-Treasury bill remained at 1.75 per cent over July to December 2016, unchanged since May. With the TT 91-day Treasury bill rate remaining stable over the review period, the US TT differential was driven entirely by changes to the US 91-day Treasury bill rate, which increased 23 basis points over the reference period to reach 0.51 per cent by the end of December. The 91-day differential therefore stood at 69 basis points in December 2016 compared with 92 basis points in July 2016, representing a gradual erosion of the range over the reference period. With uncertainty surrounding the pace and extent of changes to US fiscal and monetary policies, the TT-US interest rate differentials would be a key indicator of interest.

The short term TT-US differentials declined marginally in early 2017. The rate on the 91-day OMO Treasury bill declined by one basis point from its December position to reach 1.19 cent in February 2017, while the rate on the 91-day US Treasury bill increased two basis points over its December 2016 figure to reach 0.53 per cent, putting the 91-day TT-US differential to 66 basis points in February 2017 from 69 basis points in December 2016.

Chart IV
Commercial Bank Weighted Loan and Deposit Rates



Source: Central Bank of Trinidad and Tobago.

Against the background of an uptick in loan rates, private sector credit growth continued to slow in the latter part of 2016. On a year-on-year basis, lending granted by the consolidated financial system increased by 3.3 per cent in December 2016 compared with a rise of 4.9 per cent in July 2016. While growth in credit granted by commercial banks lost momentum, credit by non-bank financial institutions contracted over the period. Consumer and real estate mortgage loans continued to record moderate growth rates, albeit at a slower pace, while business lending remained subdued **(Chart V).** Consumer credit rose by 6.6 per cent in December 2016 compared with 8.7 per cent in July 2016. Lending to consumers for the purchase of motor vehicles decelerated for the fourth consecutive quarter to 7.5 per cent in December 2016, largely as a result of a slowdown in loans for new private cars. Growth in loans for home improvement and renovation slowed to 3.7 per cent - the eighth consecutive quarter of deceleration. However loans for other purposes remained robust, growing by 9.5 per cent in December 2016 on account of rising credit card balances (13.7 per cent). Future growth in the latter may be contained by the enforcement of tighter limits on credit cards by commercial banks.

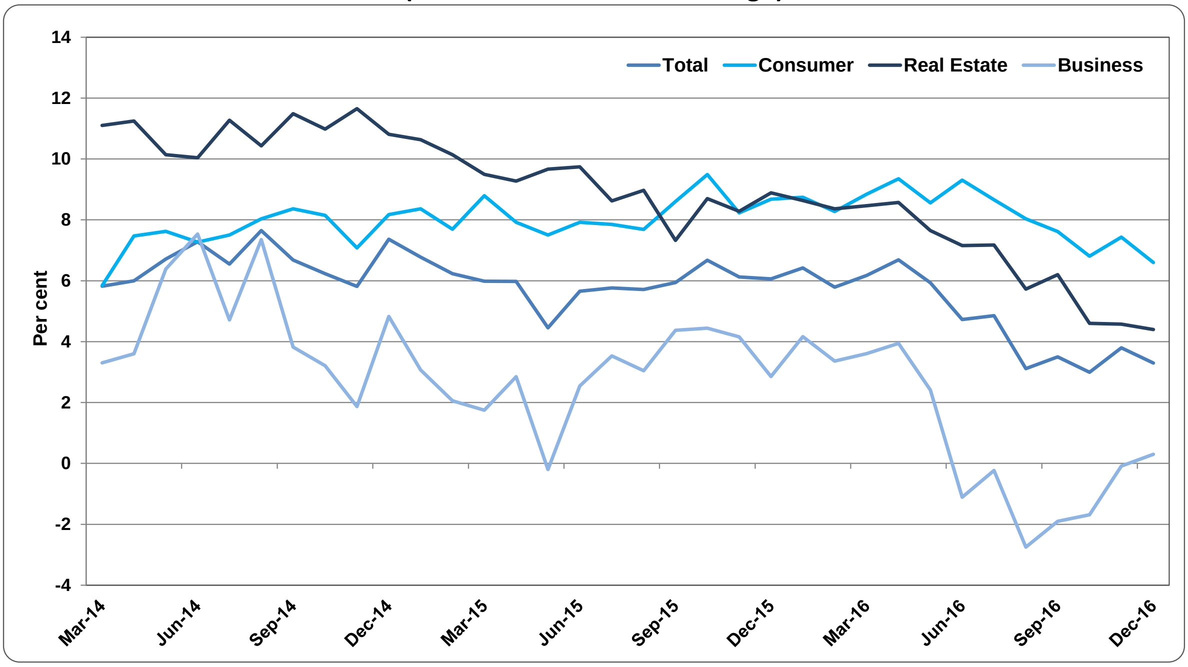
Real estate mortgage lending continued to decelerate gradually. Loans for real estate mortgages grew by 4.4 per cent in December 2016, following an increase of 7.2 per cent in July 2016. Real estate mortgages to consumers and businesses slowed to 4.4 per cent and 4.6 per cent, respectively, in December 2016. A disaggregation of consumer real estate lending over June to December 2016 indicated decelerations in loans for the purchase of existing houses (6.7 per cent from 8.4 per cent), renovation (4.0 per cent from 6.8 per cent) and new houses (4.4 per cent from 9.5 per cent), while loans for the purchase of land increased marginally (0.3 per cent from 0.0 per cent). The slower growth of residential mortgages for new houses and renovation may be reflected in the decline in the construction sector in the second half of 2016.[17]

[17] Based on valuation estimates compiled by the Central Bank, the median price of a three-bedroom house remained unchanged at $1.275 million in September 2016 compared to the previous quarter.

Credit to businesses remained restrained over the six-month period to December 2016. Lending to businesses was flat in December 2016, following sluggish growth in July 2016. The growth of loans to businesses was stymied by notable declines in lending to the construction (5.1 per cent), distribution (1.3 per cent) and petroleum (22.6 per cent), while the finance, insurance and real estate sector rebounded (11.1 per cent) largely on account of a base year effect. Lending to the manufacturing sector expanded (11.9 per cent), largely due to companies within the Chemicals and Non-Metallic Minerals sub-sector, as loans to most other manufacturing companies declined. The decline in foreign currency loans to businesses moderated to 1.8 per cent in December 2016 following a decline of 13.8 per cent in July 2016.

The growth rates of the main monetary aggregates improved modestly in the second half of 2016, on account of continued credit growth and higher net domestic fiscal injections. Narrow money (M-1A) composed of currency in active circulation and demand deposits rose by 2.6 per cent (year-on-year) in December 2016, compared with a decline of 1.8 per cent in July 2016. Demand deposits increased by 2.5 per cent in December compared with a decrease of 3.6 per cent in July 2016. M-2 (comprising M-1A, savings and time deposits) grew by 3.2 per cent over the six-month period, as the growth of savings (2.3 per cent) and time deposits (9.2 per cent) was supported by higher deposit rates in the banking system. Total foreign currency deposits increased by 8.8 per cent in December 2016, compared with 11.6 per cent in July 2016 despite tighter conditions in the foreign exchange market. Over the six-month period to December 2016, consumers' foreign currency deposits (approximately one third of foreign currency deposits) decelerated to 3.2 per cent while foreign currency deposits held by businesses (accounting for more than one third of total foreign currency deposits) accelerated to 27.5 per cent. This robust increase in businesses' foreign currency holdings may be motivated by lower demand for imported goods such as new cars.

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



Source: Central Bank of Trinidad and Tobago.

The market for foreign exchange remained tight in the second half of 2016. Purchases of foreign exchange from the public by authorized dealers declined by 13.5 per cent to US$2.1 billion while sales of foreign exchange to the public fell by 18.4 per cent to US$3.0 billion between July and December 2016, when compared with the same period in 2015 **(Table 15)**. Over July to December 2016, energy sector conversions declined by 25.6 per cent (year-on-year) and provided 61.1 per cent of all purchases over US$20,000 by the authorized dealers. The public utilities sector accounted for the second largest share of purchases (8.1 per cent), largely owing to a one-off conversion in July 2016. Reports by dealers show that most of the remaining foreign exchange purchases came from credit cards (6.5 per cent), the transportation and storage sector (5.4 per cent) and the insurance sector (4.7 per cent). Furthermore, reports by dealers revealed that sales of foreign exchange continued to be dominated by the Distribution, Credit Cards and Manufacturing sectors. For sales in excess of US$20,000 over the reference period, foreign exchange sales to the retail and distribution sector accounted for the largest share (30.7 per cent) of total sales, followed by the settlement of credit cards (27.1 per cent), sales to the manufacturing sector (12.7 per cent) and automobile companies (6.4 per cent). The larger decrease in foreign exchange sales relative to purchases in the July to December 2016 period resulted in net sales falling to US$967.9 million, 27.3 per cent lower than the same period one year earlier. The Central Bank sold a total of US$1,105 million to authorized dealers compared with US$1,502 million in the corresponding period of 2015. Given the tight market conditions, the TT/US weighted average selling rate had depreciated by 5.4 per cent to TT$6.7802/US$1 by December 2016 from TT$6.4342/US$1 in December 2015 and TT$6.4593/US$1 in January 2016.

Over January and February 2017, authorized dealers purchased US$511.2 million from the public and sold US$858.9 million to the public. Reports from the authorized dealers showed that by the end of February, the energy sector was responsible for 66.6 per cent of purchases from the public exceeding US$20,000. The reports also showed that the bulk of sales of foreign exchange to the public exceeding US$20,000 were made to the Retail and Distribution sector (33.1 per cent) and the Credit Card Centre (25.6 per cent). The net sales gap reached $347.7 million over the two month period, a 65.1 per cent increase over the same two month period in 2016. The Central Bank intervened with sales of US$350 million to the authorized dealers in January and February 2017. In February 2017, the weighted average selling rate stood at TT$6.7782 per US dollar, revealing a slight appreciation from TT$6.7802 per US dollar in December 2016, but showing a depreciation of 3.98 per cent from TT$6.5190 per US dollar observed a year prior in February 2016.

Table 15
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	6,956.0	1,430.8	1,715.0
2015	4,941.3	7,382.5	2,441.2	2,640.9
2016	4,289.0	5,776.8	1,487.8	1,811.6
Jul to Dec 2015	2,386.3	3,716.7	1,330.4	1,502.0
Jul to Dec 2016	2,063.7	3,031.6	967.9	1,105.0
Jan - Feb 2016	618.8	829.3	210.5	255.0
Jan - Feb 2017	511.2	858.9	347.7	350.0

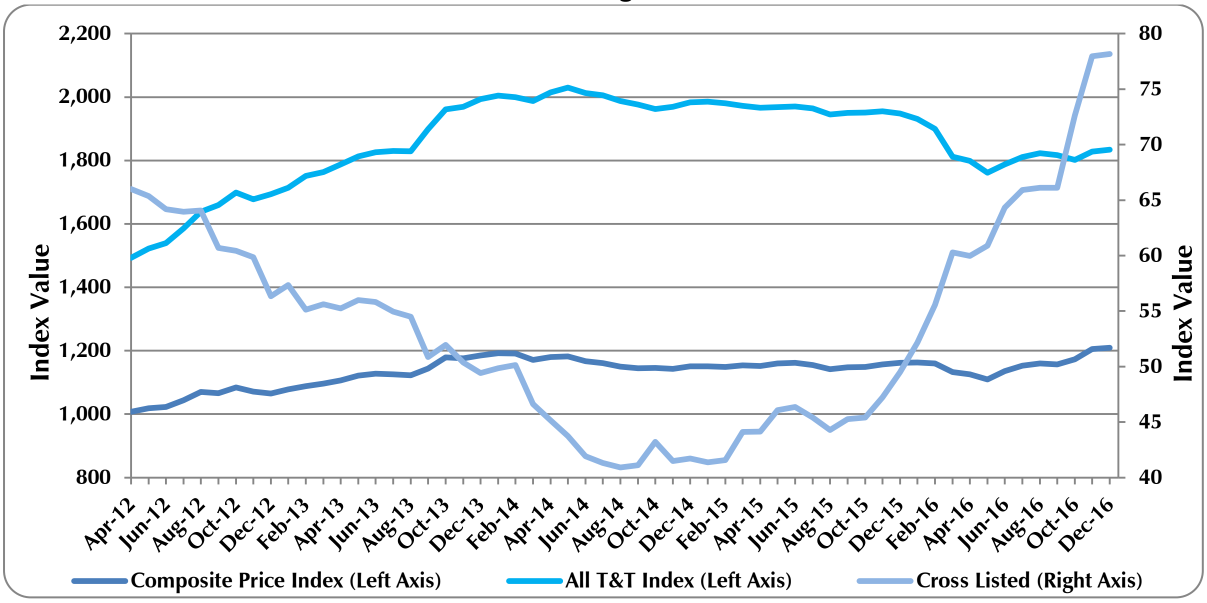
Source: Central Bank of Trinidad and Tobago.

PART X: CAPITAL MARKET

Stock Market

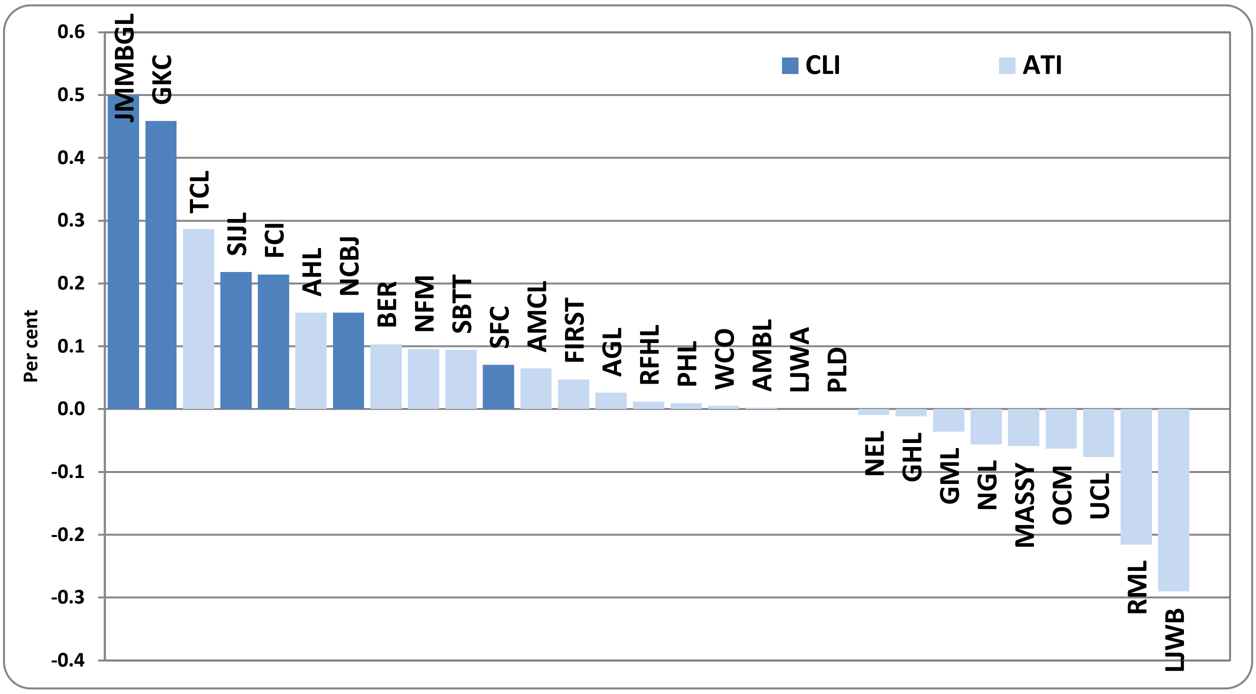
After contracting in the first half of 2016, the domestic stock market displayed notable gains in the second half of the year (Chart VI). Over the six month period from July to December 2016, the Composite Price Index (CPI) and All Trinidad and Tobago Index (ATI) recovered 6.5 per cent and 2.6 per cent, respectively after declining by 2.3 per cent (CPI) and 8.2 per cent (ATI) during the first six months of 2016. This recovery was fuelled by the strong performances of four cross listed stocks including JMMB Group Limited, Grace Kennedy Limited, Scotia Investments Jamaica Limited, and First Caribbean International Bank and one domestically listed stock, namely Trinidad Cement Limited **(Chart VII)**. For the year as a whole however, the performance of the stock market was varied, notwithstanding the improvements in the latter six months of the year. The ATI index declined by 5.9 per cent on a year-on-date basis ending December 2016 while the CPI recorded a 4.1 per cent gain, supported largely by the Cross Listed Index (CLI) which leaped 57.9 per cent. The robust gains in the CLI were largely attributed to the strong performance of the Jamaican economy. Total stock market capitalization followed a very similar trend to the CPI, gaining 4.2 per cent during the year and ending 2016 at $118.3 billion.

Chart VI
Trinidad and Tobago Stock Indices



Source: Trinidad and Tobago Stock Exchange (TTSE).

Chart VII
Trinidad and Tobago Individual Stock Indices
(July to December 2016)

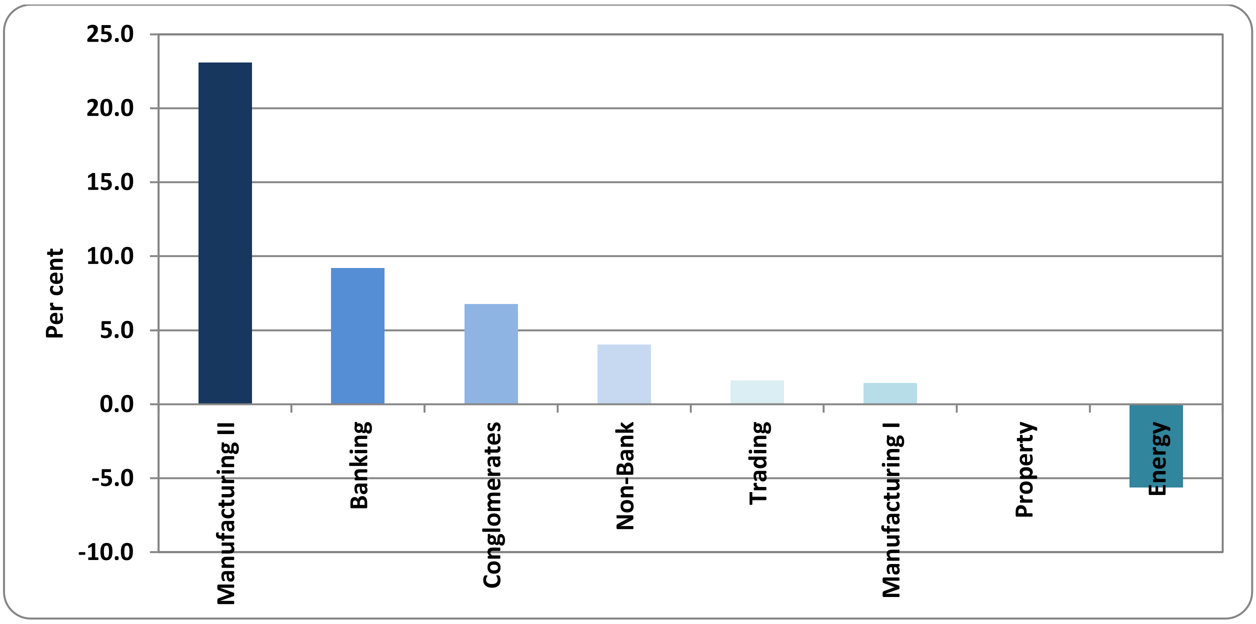


Source: Trinidad and Tobago Stock Exchange (TTSE).

Most sub-indices posted positive returns over the second half of 2016 (Chart VII). Over the six month period ending December 2016, the largest gains were observed in the Manufacturing II sub-index mainly due to the strong performance of Trinidad Cement Limited which jumped by 28.7 per cent following the announcement of a takeover bid by Cemex. This was followed by the Banking (9.1 per cent) sub-index supported by robust movements in the First Caribbean International Bank and National Commercial Bank of Jamaica stock prices. Other sub-indices which recorded advances were Conglomerates (6.8 per cent), Non-Bank Finance (4.0 per cent), Trading (1.6 per cent) and Manufacturing I (1.4 per cent). The Property sub-index observed no change over the period. In contrast, the Energy sub-index declined by 5.6 per cent, influenced by the movements of the Trinidad and Tobago NGL Limited stock price.

When compared to the second half of 2015, trading volumes and values on the domestic stock market displayed noticeable declines over the same period in 2016. Over the period July to December 2016, 33.6 million shares at a value of $425.3 million exchanged hands on the local stock market. However, in the same period of 2015, 41.1 million shares traded at a value of $694.2 million.

Chart VIII
Trinidad and Tobago Stock Market Sub-Indices
(July to December 2016)



Source: Trinidad and Tobago Stock Exchange (TTSE).

A significant development in the domestic capital market was the acquisition of Trinidad Cement Limited (TCL) by Cemex. Under its indirect subsidiary Sierra Trading, Cemex presented an initial Offer and Take-Over Bid on December 5th 2016 to the Board of Directors of TCL to acquire just over 132.6 million TCL shares at a price of TT$4.50 per share. Following a rejection of the initial offer, Cemex presented an amended offer on January 9th 2017 of TT$5.07 or US$0.76 per share. The revised offer represents a 50 per cent premium over the December 1, 2016 closing price and would result in a cash payment of roughly TT$672 million or US$101 million. By January 25 2017 the count of shares deposited in response to the amended offer exceeded 114 million, which increases Cemex total shareholding in TCL to just over 70.0 per cent. The successful offer and take-over bid was likely spurred by the option to be paid in US dollars for deposited TCL shares. The approximate total consideration to be paid to shareholders who accepted the offer is roughly US$86.9 million.

Primary Debt Market

Activity on the domestic primary bond market was significantly lower during the second half of 2016 when compared to the first half of the year. Provisional data indicate that over the period July to December 2016 there were eight primary debt issues at a value of approximately $2,161.2 million on the domestic bond market **(Table 16)**. During the second half of 2016, the Central Government auctioned a 6-year TT$500 million bond at 3.80 per cent. However, the bond offer was significantly oversubscribed and the Government decided to upsize the issue to TT$1,000.0 million. In addition state enterprises issued bonds totalling $640.25 million. The private sector also accessed the bond market with Sagicor raising US$75 million (TT$506.4 million) and HADCO financing TT$15 million. In comparison, during the same period in 2015, nine primary bonds were issued raising roughly $5,090.2 million. In early 2017, the Central Government also accessed the domestic capital market issuing a $1 billion bond at a fixed rate of 4.1 per cent with an 8 year tenor.

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

Trading activity on the secondary Government bond market continued to be strong in the second half of 2016, likely due to continued portfolio adjustments in light of increasing yields experienced during the start of 2016. During the period, 58 trades were conducted at a face value of $705.9 million. In comparison, a total of 20 trades with a face value of $27.6 million were observed during the same period of 2015. Furthermore, relative flattening of Treasury yields over the second half of 2016 resulted in the Central Government Bond Index experiencing a marginal recovery in the last quarter of the year. During the final quarter of 2016, the Price Index inched up by 1.3 per cent while the Total Return Index gained 2.8 per cent **(Chart XI)**.

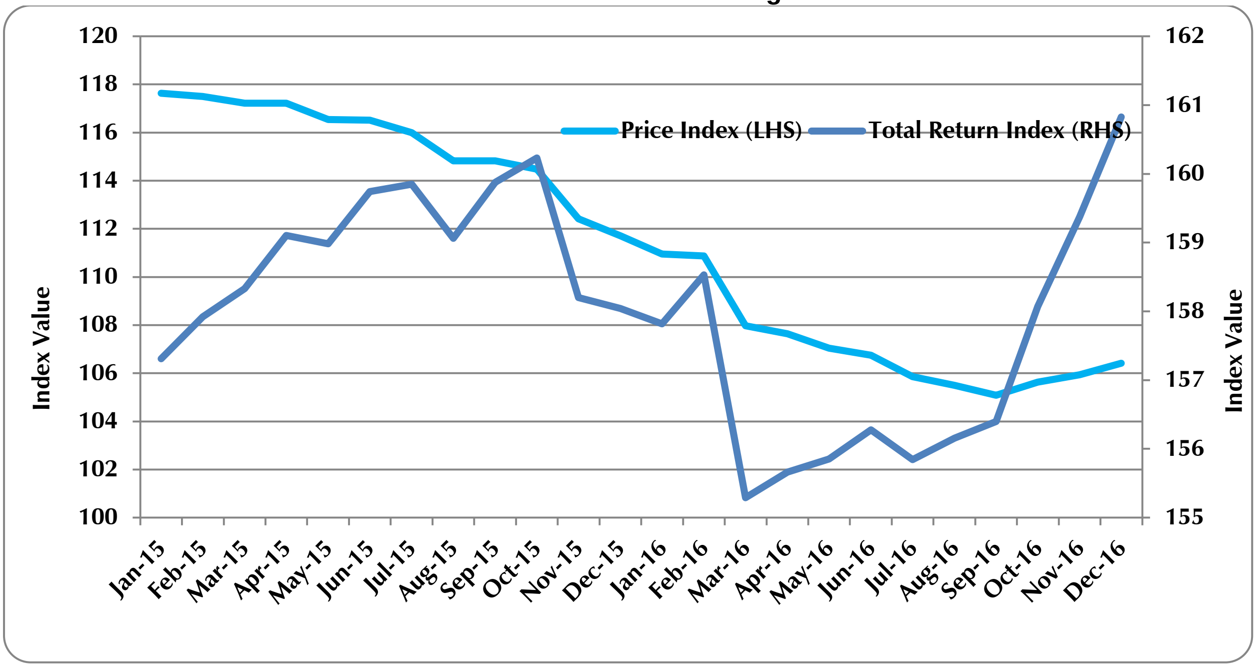
Table 16
Primary Debt Security Activity
January 2016– February 2017 p

Period Issued	Borrower	Face Value (TT$ M)	Period to Maturity	Coupon Rate per annum (Per Cent)	Placement Type
2016					
January	TTMF – Series 1	53.7	6 years	Fixed Rate 4.62%	Private
	HADCO	30.0	11.25 years	Fixed Rate 6.00% Monthly Amortizing	Private
February	TTMF – Series 2	14.0	10 years	Floating Rate 4.52% Reset after 5th year	Private
March	Sagicor Financial Corporation	494.8 (US $75.0 M)	1 year	Fixed Rate 5.00%	Private
April	Milshirv Properties Limited	130.8	20 years	Fixed to Floating Rate 6.00%	Private
May	Central Government of Trinidad and Tobago	1,162.9	12 years	Fixed Rate 4.50%	Public Auction
June	National Infrastructure Development Co. Ltd (NIDCO)	1,500.0	15 years	Fixed Rate 4.90%	Private
	Central Government of Trinidad and Tobago	2,000.0	14 years	Fixed Rate 4.50%	Private
July	TTMF – Multiple Series	174.6	Multiple	Amortizing Multiple Rates	Private
August	Central Government of Trinidad and Tobago	6,687.1 (US $1.0 B)	10 years	Fixed Rate 4.50%	Private
September	Home Mortgage Bank – Multiple Series	61.6	2.3 years	Multiple Rates	Private
November	TTMF	300.0	1 year	Fixed Rate 4.15%	Private
	Home Mortgage Bank	14.0	2 years	Fixed Rate 3.75%	Private
	Trinidad Generation Unlimited (TGU)	4,044.0 (US $600.0 M)	11 years	Fixed Rate 5.25%	Private
December	Urban Development Corporation of Trinidad and Tobago Limited (UDECOTT)	90.0	5 years	Fixed Rate 3.30%	Private
	HADCO	15.0	1 year	Fixed Rate 6.0%	Private
	Central Government of Trinidad and Tobago	1,000.0	6 years	Fixed Rate 3.80%	Public
	Sagicor Financial Corporation	506.4 (US $75.0 M)	2.7 years	Fixed Rate 4.85%	Private
2017					
February	Central Government of Trinidad and Tobago	1,000.0	8years	Fixed Rate 4.10%	Public

Source: Central Bank of Trinidad and Tobago.

p Provisional

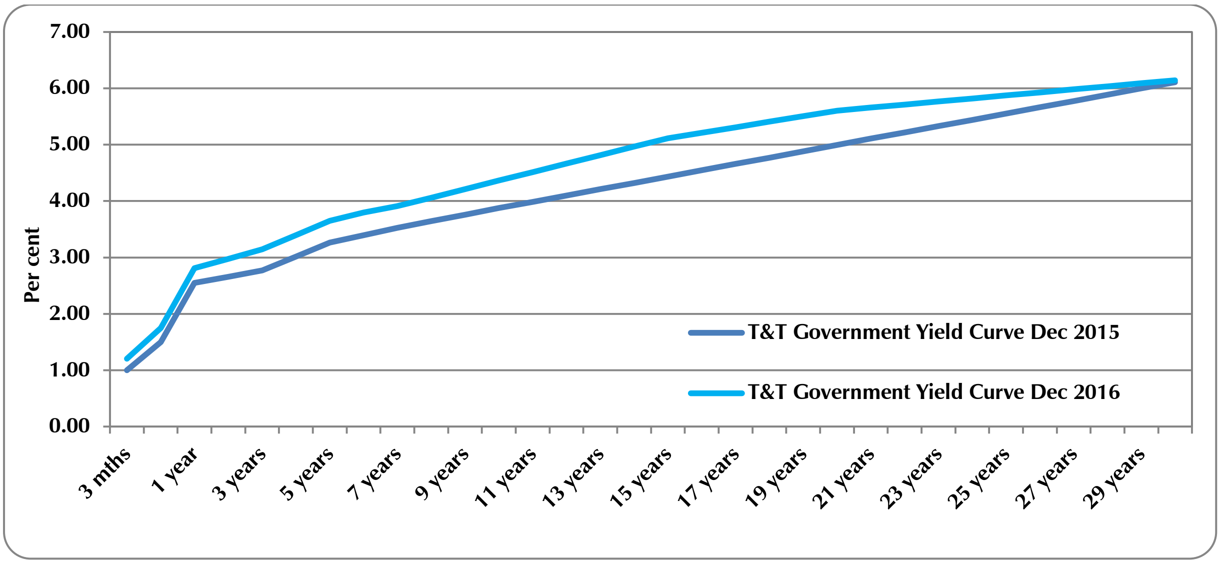
Chart IX
Central Government of Trinidad and Tobago Bond Indices



Source: Central Bank of Trinidad and Tobago.

Yields on medium to long term government securities flattened in the second half of 2016 following increases in the previous six months (Chart IX). Over the six month period ending December 2016, the 10-year yield dipped by 7 basis points to 4.36 per cent while the 15-year yield gained a marginal 3 basis points to end the period at 5.11 per cent. By comparison, during the first six months of 2016, the major 10-year and 15-year term yields increased by 56 basis points to 4.43 per cent and 65 basis points to 5.08 per cent, respectively. On the shorter end of the curve the 3-month yield remained unchanged at 1.20 per cent during the latter half of the year while the 1-year yield marginally inched up by 1 basis point to 2.81 per cent during the same period. Comparatively, during the first half of the year, the 3-month and 1-year yields increased by 20 and 24 basis points respectively.

Chart X
TT Treasury Yield Curve



Source: Central Bank of Trinidad and Tobago.

Mutual Funds

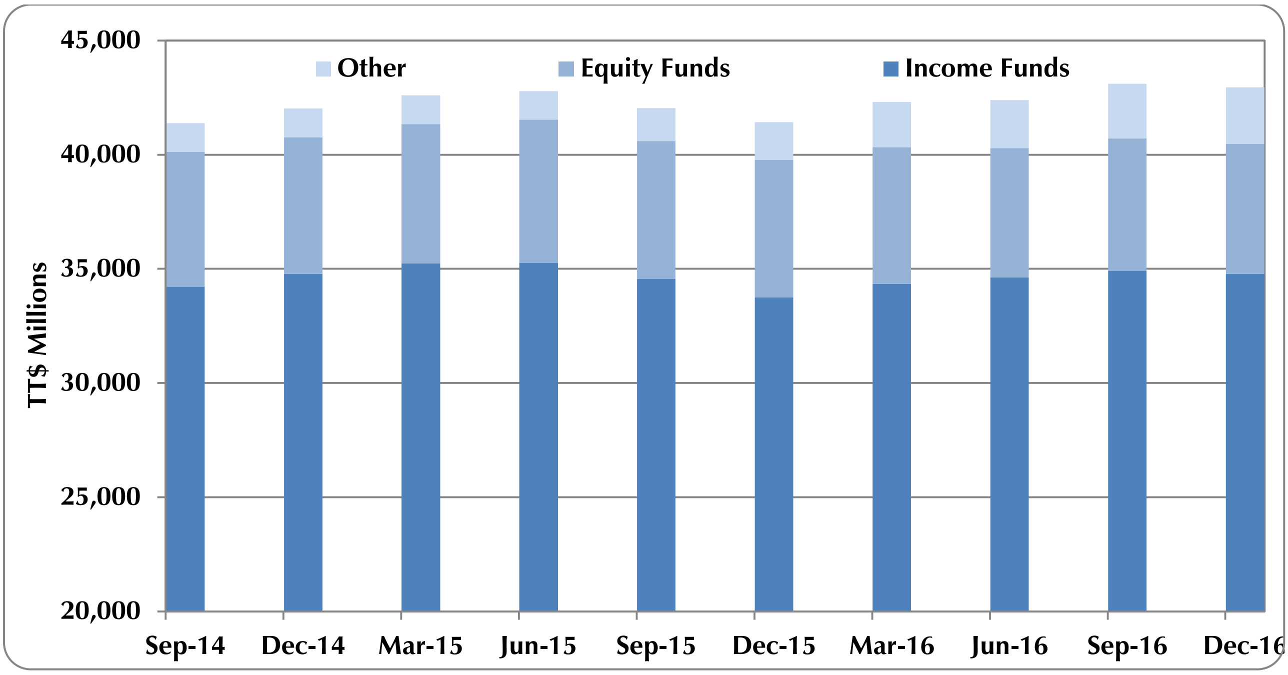
Following a contraction in 2015, the local mutual funds industry rebounded during the second half of 2016. During the period July to December 2016, aggregate funds under management[18] rose by 1.3 per cent to $42.9 billion compared to a 3.2 per cent decline in the same period one year prior **(Chart XI).** Income funds which represent the largest share of the industry marginally grew by 0.4 per cent to $34.8 billion over the second half of 2016. Furthermore, Equity funds under management which have been declining since the second quarter of 2015, inched up by 0.5 per cent to just under $5.7 billion during the last six months of 2016 reflecting the marginal improvement in performance of the domestic stock market. On the other hand, funds classified as "Other", which represent money market funds and special purpose funds, continued to outperform, expanding by 18.4 per cent to roughly $2.5 billion. In terms of currency profile, over the second half of 2016 US dollar funds expanded by 2.1 per cent to TT equivalent $8.9 billion, while TT dollar funds grew by 1.1 per cent to $34.0 billion. In comparison, during the same period in 2015, US dollar and TT dollar funds declined by 1.8 per cent and 3.5 per cent respectively.

During the six-month period ending December 2016, the mutual funds industry witnessed net sales of $458.0 million, of which total sales were $8,200.6 million and total redemptions were $7,742.5 million. In comparison, over the same period in 2015 net redemptions of $577.6 million were recorded of which total sales were $7,378.8 million and total redemptions stood at $7,956.4 million.

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

Chart XI

Mutual Funds - Aggregate Fund Values



Source: Central Bank of Trinidad and Tobago.

PART XI: INTERNATIONAL TRADE AND PAYMENTS[19]

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

Preliminary data suggests that for the first half of 2016, the external accounts of Trinidad and Tobago registered a deficit of $367.3 million or 3.3 per cent of GDP (Table 17). The balance on the current account worsened in the first half of 2016 compared to the first half of 2015, largely owing to sharply reduced energy exports. The deficit on the services account also widened to $673 million from $499.5 million in the year-earlier period. These declines were partly offset by improvements in primary income and secondary income. Meanwhile, the financial account also moved from a net outflow in the first half of 2015 to a net inflow in the first half of 2016.

A current account deficit of $582.7 million was posted for the first six months of 2016 compared with a surplus of $823.4 million one year earlier. The lower Current Account balance was primarily driven by conditions within the energy sector which impacted the Goods sub-account. Total exports are estimated to have declined by 25.8 per cent to $4,309.3 million when compared to the first half of 2015, largely due to a falloff in energy exports which decreased by $1,340.8 million to $3,361.2 million as a result of lower energy prices and production. The volume of crude oil exports in the first six months of 2016 (5,263.3 thousand barrels) was 18.2 per cent lower than in the similar period of 2015 (6,434.5 thousand barrels). Over this same period, crude oil prices as reflected in the WTI market fell to US$39.4 per barrel from US$53.2 per barrel while natural gas prices as measured by the Henry Hub benchmark averaged US$2.1 per million British Thermal Units (mmbtu) down from an average price of US$2.8 per mmbtu. Meanwhile, total imports increased by 8.1 per cent to an estimated $4,423.6 million in the first six months of 2016 due to an increase in energy imports, which climbed by 37.1 per cent to $1,556.8 million. Over the six months to June 2016 the volume of crude oil imports increased by 36.0 per cent year-on-year (18,255 thousand barrels) as Petrotrin was able to process higher crude oil volumes on account of the upgrade to the refinery. Meanwhile, there was an estimated decline in non-energy imports of 3.1 per cent to $2,866.9 million.

The services deficit widened by $173.6 million to $673.0 million, mainly driven by a lower transport surplus and a higher deficit in other business services.

The primary income sub-account moved from a deficit of $370.6 million to a surplus of $197.2 million in the first half of 2016. In particular, investment income recorded a surplus of $298.8 million during the first six months of 2016, compared to the previous year's deficit of $304.3 million as earnings repatriated abroad by foreign-owned energy companies declined. Meanwhile, the balance of the secondary income sub-account improved to $7.4 million as outbound private transfers decreased.

The financial account recorded a net inflow of $573.0 million in the first half of 2016, a reversal of the net outflow of $429.0 million registered in the year-earlier period. Following an increase of $26.7 million in the first half of 2015, direct investment assets fell by $235.8 million in the first half of 2016 as foreign equities held by the financial sector fell. Direct investment liabilities fell by $30.2 million in the first half of 2016 due to a fall in reinvestment of earnings.

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[19] The Balance of Payments and International Investment Position of Trinidad and Tobago will now be published according to the Balance of Payments and International Investment Manual, Sixth Edition (BPM6) **(See Box 3)**.

A withdrawal by the Heritage and Stabilization Fund for budgetary support largely accounted for the decline in holdings of foreign assets by domestic portfolio investors in the first half of 2016. Continuing the trend of previous years, foreign investment in domestic securities fell by $107.8 million mainly due to a decline in non-resident holdings of domestic bonds.

In the other investment sub-account, there were increases in loans, currency and deposits and other assets held by residents abroad. These increases were partially offset by gains in trade credits and other liabilities due to non-residents. For the year 2016, gross official reserves declined by $467.2 million to $9,465.8 million, or 10.5 months of prospective imports of goods and non-factor services[20]

[20] Gross official reserves as at December 2016 include the proceeds of $998.8 million from a Central Government bond issued in August 2016.

Table 17
Trinidad and Tobago: Summary Balance of Payments
(US$ Million)

	2011	2012	2013	2014	2015[p]	Jan-Jun 2015[p]	Jan-Jun 2016[p]
Current Account	**4,134.1**	**3,223.7**	**5,302.5**	**3,914.6**	**956.7**	**823.4**	**-582.7**
Goods and Services	**7,145.4**	**5,586.6**	**6,952.4**	**5,702.1**	**1,568.7**	**1,213.1**	**-787.4**
Goods, net*	7,879.5	6,440.1	7,596.8	6,406.3	2,530.5	1,712.6	-114.4
Exports	17,041.3	16,324.7	17,593.1	14,964.5	11,132.0	5,806.4	4,309.3
Energy	14,694.9	13,189.9	14,036.3	12,491.5	8,750.7	4,702.0	3,361.2
Non-energy	2,346.4	3,134.8	3,556.7	2,473.0	2,381.2	1,104.4	948.0
Imports	9,161.8	9,884.5	9,996.2	8,558.2	8,601.5	4,093.9	4,423.6
Energy	3,981.9	3,829.8	4,508.6	2,867.7	2,428.4	1,135.7	1,556.8
Non-energy	5,179.9	6,054.8	5,487.7	5,690.5	6,173.1	2,958.2	2,866.9
Services, net	-734.1	-853.5	-644.4	-704.2	-961.7	-499.5	-673.0
Primary income, net	-3,031.7	-2,399.8	-1,675.5	-1,766.3	-570.5	-370.6	197.2
Secondary income, net	20.4	36.8	25.6	-21.2	-41.6	-19.2	7.4
Capital Account	**0.1**	**-0.6**	**1.0**	**0.3**	**0.5**	**0.5**	**-0.3**
Financial Account	**1,161.2**	**3,943.4**	**-37.8**	**103.8**	**408.7**	**429.0**	**-573.0**
Direct investment	**12.7**	**2,038.7**	**1,196.9**	**-689.3**	**-253.4**	**-25.4**	**-205.6**
Net acquisition of financial assets	67.2	189.4	62.5	-17.7	152.7	26.7	-235.8
Net incurrence of liabilities	54.6	-1,849.3	-1,134.4	671.6	406.1	52.1	-30.2
Portfolio investment	**1,237.4**	**1,587.9**	**142.6**	**846.0**	**870.2**	**376.1**	**-382.1**
Net acquisition of financial assets	1,090.9	1,130.8	574.1	739.1	743.4	264.3	-489.9
Net incurrence of liabilities	-146.5	-457.1	431.5	-107.0	-126.8	-111.8	-107.8
Financial derivatives	**-1.9**	**-2.6**	**4.2**	**-3.2**	**-1.0**	**-1.2**	**-1.2**
Net acquisition of financial assets	-1.9	-2.3	3.9	-1.8	-1.9	-1.9	-0.4
Net incurrence of liabilities	0.0	0.2	-0.2	1.3	-0.9	-0.7	0.8
Other investment	**-87.0**	**319.3**	**-1,381.5**	**-49.8**	**-207.2**	**79.6**	**15.8**
Net acquisition of financial assets	88.5	-271.9	-1,426.9	254.6	-672.0	-328.2	567.7
Net incurrence of liabilities	175.4	-591.2	-45.4	304.4	-464.8	-407.8	551.9
Net errors and omissions	**-2,171.4**	**108.1**	**-4,536.1**	**-2,489.9**	**-2,112.7**	**-1,152.9**	**-357.3**
Overall Balance	**801.6**	**-612.2**	**805.2**	**1,321.3**	**-1,564.2**	**-758.0**	**-367.3**
Per Cent of GDP							
Current Account	**16.2**	**12.5**	**20.0**	**14.9**	**4.0**	**7.0**	**-5.2**
Goods, net	30.9	25.0	28.6	24.4	10.7	14.5	-1.0
Exports	66.9	63.3	66.3	57.0	47.1	49.0	38.8
Imports	36.0	38.3	37.7	32.6	36.4	34.6	39.8
Services, net	-2.9	-3.3	-2.4	-2.7	-4.1	-4.2	-6.1
Primary income, net	-11.9	-9.3	-6.3	-6.7	-2.4	-3.1	1.8
Overall balance	**3.1**	**-2.4**	**3.0**	**5.0**	**-6.6**	**-6.4**	**-3.3**
Memorandum Items							
Gross Official Reserves**	9,982.8	9,370.7	10,175.9	11,497.1	9,933.0	10,739.1	9,565.7
Import Cover (months)**	13.7	10.6	12.2	12.9	11.2	12.4	11.3

Source: Central Bank of Trinidad and Tobago.

Note: This table is an analytical presentation of the Balance of Payments and is presented in the accordance with the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).

p Provisional.

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

** End of Period.

International Investment Position[21]

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

Trinidad and Tobago's net international investment position[22] **improved by $494.7 million to $7,151.3 million in the first half of 2016 when compared with 2015 (Table 18).** International assets declined in the first half of 2016 mainly due to a fall in reserve assets and portfolio investment. Lower inflows of oil and gas receipts and higher outflows in the form of foreign currency sales to the domestic market were the main factors contributing to the fall-off in reserves. Further, portfolio investment assets fell by $519.9 million on account of a decline in the Heritage and Stabilization Fund (HSF) owing to the withdrawal of funds for fiscal budgetary support. However, these declines were partially mitigated by increases in other investment in the form of loans, currency and deposits and other accounts held abroad by residents.

Trinidad and Tobago's international liabilities continued its downward trend in 2016 falling to $17,030.3 million at the end of June 2016 as a result of a decline in direct investment liabilities. The closure of ArcelorMittal in early 2016 coupled with lower reinvestment of earnings in the energy sector, resulted in a reduction in direct investment liabilities. Foreign holdings of domestic securities also fell by $174.2 million to $2.7 billion due mainly to declines in the holdings of foreign-currency denominated bonds held by non-residents. Meanwhile, other investment liabilities recorded an increase of $170.9 million owing mainly to an increase in trade credits and other liabilities due to non-residents.

[21] According to the International Monetary Fund's Balance of Payments and International Investment Position Manual Sixth Edition, the International Investment Position "is a statistical statement that shows at a point in time the value and composition of financial assets of residents of an economy that are claims on nonresidents and gold bullion held as reserve assets, and liabilities of residents of an economy to nonresidents.".

[22] A preliminary IIP was constructed for 2011 and published in the 2011 Balance of Payments Report.

Table 18
Trinidad and Tobago: International Investment Position
(End of Period) / (US$ Million)

	2011	2012	2013	2014	2015p	Jun-2016p
Net International Investment Position	**428.7**	**3,707.1**	**4,945.5**	**7,038.2**	**6,656.6**	**7,151.3**
Assets	**22,083.3**	**22,697.4**	**23,751.9**	**26,006.3**	**24,947.2**	**24,181.6**
Direct investment	426.7	555.2	616.2	599.5	794.5	504.1
Portfolio investment	5,124.3	6,290.6	7,834.6	8,611.2	9,585.2	9,065.3
Financial derivatives	2.3	0.0	3.9	2.1	0.2	0.0
Other investment	6,547.2	6,481.0	5,121.2	5,296.3	4,634.3	5,046.6
Reserve assets	9,982.8	9,370.7	10,175.9	11,497.1	9,933.0	9,565.7
Liabilities	**21,654.6**	**18,990.3**	**18,806.4**	**18,968.1**	**18,290.6**	**17,030.3**
Direct investment	12,441.2	10,701.4	10,253.4	10,164.3	9,771.4	8,513.0
Portfolio investment	2,989.8	2,676.3	3,086.5	2,992.9	2,885.9	2,711.7
Financial derivatives	0.0	0.0	0.0	0.0	0.6	1.9
Other investment	6,223.5	5,612.6	5,466.4	5,810.9	5,632.8	5,803.7

Source: Central Bank of Trinidad and Tobago.
p Provisional.

Effective Exchange Rates

Trinidad and Tobago's international price competitiveness as measured by the trade weighted real effective exchange rate (TWREER)[23] improved by 1.6 per cent in 2016 when compared to the previous year. This gain in price competitiveness was due to the depreciation[24] of the domestic dollar outstripping higher domestic prices when compared with the country's major trading partners. In 2016, domestic inflation increased by 3.1 per cent, higher than the average inflation rate of 0.2 per cent of Trinidad and Tobago's major trading partners. However, the Trinidad and Tobago dollar[25] depreciated by 4.5 per cent (year-on-year) compared with the average appreciation of 0.1 per cent in the exchange rates of the country's major import and export markets. The depreciation of the Trinidad and Tobago dollar would have contributed to the country's exports being more price competitive on the international market **(Chart XIV)**.

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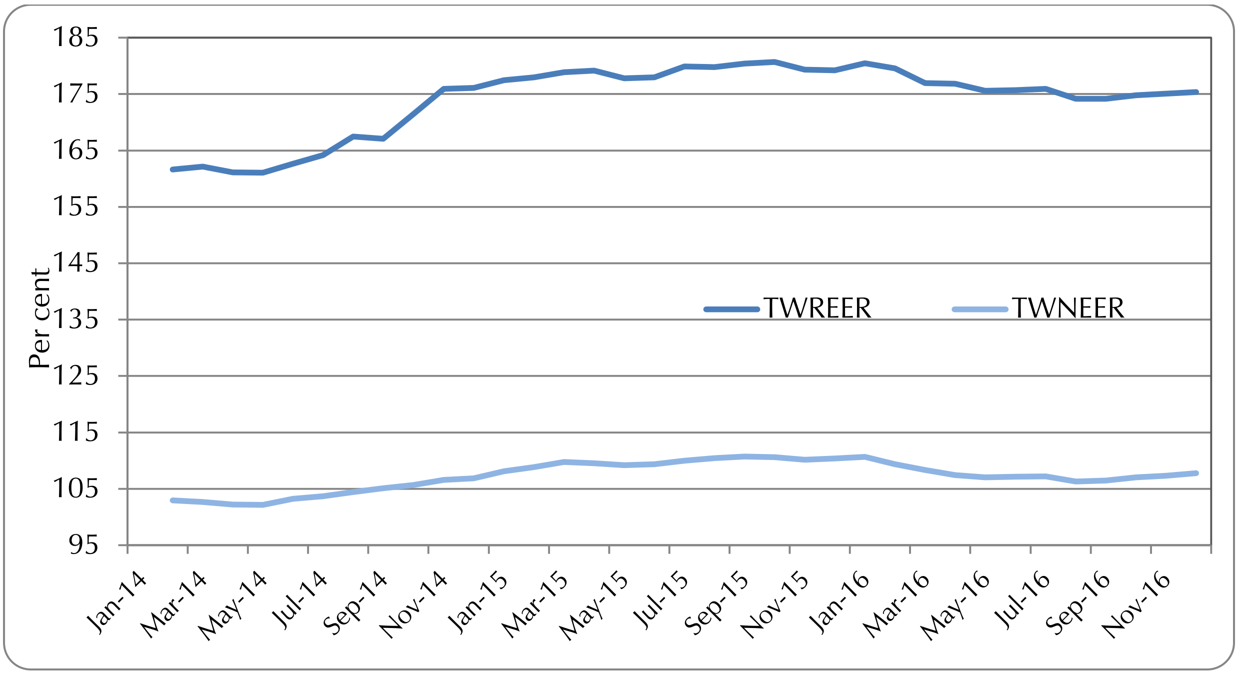
[23] The TWEER reflects the weighted average of a country's currency relative to a basket of other major currencies. It is calculated as the trade weighted-nominal effective exchange rate (TWNEER) adjusted for the effects of inflation.
[24] An increase (decrease) in the index is an appreciation (depreciation) which represents a loss (gain) of competitiveness.
[25] Each unit of currency (domestic and trading partners) is measured per unit of USD.

Chart XIV
Trade Weighted Real and Nominal Effective Exchange Rates
(2000=100)



Source: Central Bank of Trinidad and Tobago.

In addition to movements in exchange rates and consumer prices, institutional factors also influence a country's level of competitiveness. The Global Competitiveness Report which is produced annually by the World Economic Forum uses a Global Competitiveness Index (GCI) to rank countries based on their level of competitiveness. The index is based on twelve pillars which are broadly categorized into three themes: basic requirements, efficiency enhancers, and innovation and sophistication factors. In the latest Global Competitiveness Report 2016-2017, Trinidad and Tobago's ranking worsened, moving to 94 out of 138 countries, from 89 out of 140 countries in 2015-2016. Despite the movement in ranking, Trinidad and Tobago's overall competitiveness score remained unchanged from the previous year at 3.9 out of 7.

BOX 3: THE BALANCE OF PAYMENTS OF TRINIDAD AND TOBAGO
TRANSITION FROM BPM5 TO BPM6

The Balance of Payments is a statistical statement that summarizes transactions between residents and non-residents during a period[1]. Trinidad and Tobago, like many other small open economies, is highly dependent on trade flows and foreign exchange earnings to sustain overall economic activity and maintain macroeconomic stability. Careful measurement of the international transactions arising between residents and non-residents is critical in determining the country's overall external position and its likely impact on the country's holdings of international reserve assets.

The sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) was released by the International Monetary Fund (IMF) in 2009. With technical assistance from the IMF, the Central Bank of Trinidad and Tobago embarked on a course to transition the Balance of Payments (BOP) and International Investment Position (IIP) to the new international statistical guidelines and to improve coverage of external assets and liabilities.

BACKGROUND

The BPM6 reflects the economic developments associated with globalization and the internationalization of financial markets that have occurred over the past two decades. Therefore, relative to the fifth edition of the Balance of Payments Manual (BPM5), BPM6 places increased emphasis on the IIP. The BPM6 also strengthens the linkage between the international accounts and the System of National Accounts (2008).

CHANGES IN BPM6

<u>Main Presentational Changes</u>

Grouping

The Capital Account is no longer grouped with the Financial Account but with the Current Account.

In the standard presentation, the overall balance on the financial account is called net lending (+) / net borrowing (-). Net lending means that, in net terms, the economy supplies funds to the rest of the world, taking into account acquisition and disposal of financial assets and incurrence and repayment of liabilities (net borrowing means the opposite)[2]. Net lending/net borrowing can also be derived from the sum of the balances on the current and capital accounts. In concept, the values should be equal. However, in practice, this requirement tends to be quite difficult to establish given the diverse sources of information. Hence, a "balancing item" – net errors and omissions – is usually included in the accounts[3].

Sign Convention and Terminology

In the financial account, "credits" and "debits" from BPM5 have been replaced by "net acquisition of financial assets" and "net incurrence of liabilities" in BPM6. Increases in assets/liabilities are now represented by a positive sign while decreases in assets/liabilities are represented with a negative sign. This is in contrast to BPM5 where increases in assets were represented by negative signs and decreases in assets were represented by positive signs.

[1] BPM6, paragraph 2.12.

[2] BPM6, paragraph 8.3.

[3] For purposes of this box an analytical presentation of the BOP is shown. A standard presentation of the BOP is also constructed and presented in the Appendix tables.

Box 3 cont'd

The term "primary income" is introduced in the BPM6 and replaces "income" from BPM5. Further, the term "secondary income" in BPM6 broadly corresponds to "current transfers" in BPM5.

Main Methodological Changes

Current Account

"Manufacturing services on physical inputs owned by others" (known as "goods for processing" in BPM5) and "maintenance and repair services n.i.e." (known as "repairs on goods" in BPM5) are reclassified from goods to services.

Financial Account

In BPM6, there is a greater level of detail for Direct Investment (FDI) relationships and the presentation of FDI is changed to an asset-liability basis from the directional principle employed in BPM5. In the directional principle, direct investment in the reporting economy (the liability side) included assets and liabilities between a resident direct investment enterprise and its non-resident direct investor, and direct investment abroad (the asset side) included assets and liabilities between a resident direct investor and its non-resident direct investment enterprises. In other words, there was a built-in netting of reverse investment[4] in BPM5. However, in BPM6, FDI assets and liabilities are presented separately with details that specify the particular direct investment relationship (direct investor in direct investment enterprises; direct investment enterprise in direct investor (reverse investment); and claims on fellow enterprises[5]). It should be noted that the impact of this change is minimal as data on reverse investment and fellow enterprises are not currently captured via surveys and administrative sources. However, the next update of the data intake survey forms will feature revisions designed to capture these items for the BOP and IIP.

A side-by-side comparison and mapping of the BOP analytical table in both the BPM5 and BPM6 formats are shown below. The impact on the current account is minimal while major changes are introduced in the financial account presentation (discussed below).

[4] Reverse investment arises when a direct investment enterprise lends funds to or acquires equity in its immediate or indirect direct investor, provided it does not own equity comprising 10 per cent or more of the voting power in that direct investor (BPM6, paragraph 6.40).

[5] Enterprises that are under the control or influence of the same direct investor, but neither fellow enterprise controls or influences the other fellow enterprise.

Box 3 cont'd
BPM5 and BPM6 Presentations of the Balance of Payments
(US$ Million)

BPM5*

	2011	2012	2013	2014	2015p	Jan-Jun 2015p	Jan-Jun 2016p
Current Account	**1,787.2**	**-2,738.6**	**3,419.9**	**377.6**	**-224.7**	**-282.9**	**-1,076.9**
Goods, net**	5,455.3	1,272.1	6,115.7	3,290.1	1,330.1	732.3	-403.3
Exports	14,943.4	12,916.1	18,744.8	14,566.1	10,803.9	5,465.8	4,020.3
Energy	12,597.0	9,781.3	15,188.0	12,093.1	8,422.6	4,361.3	3,135.8
Non-energy	2,346.4	3,134.8	3,556.7	2,473.0	2,381.2	1,104.4	884.5
Imports	9,488.1	11,644.1	12,629.1	11,276.1	9,473.7	4,733.5	4,423.6
Energy	4,308.2	5,589.3	7,141.4	5,585.6	3,300.7	1,775.3	1,556.8
Non-energy	5,179.9	6,054.8	5,487.7	5,690.5	6,173.1	2,958.3	2,866.9
Services, net	-627.6	-654.7	-445.4	-470.2	-749.6	-433.3	-358.1
Income, net	-3,073.8	-3,389.5	-2,275.4	-2,421.0	-765.4	-564.4	-320.2
Current transfers, net	33.3	33.6	25.1	-21.3	-39.9	-17.5	4.7
Capital Account	**0.0**	**-0.7**	**0.0**	**-1.0**	**0.0**	**0.0**	**0.0**
Financial Account	**-793.6**	**-2,369.2**	**1,339.9**	**1,874.1**	**2,390.9**	**1,626.7**	**1,671.7**
Direct investment	770.6	772.1	-66.3	1,213.8	477.0	66.5	647.5
Portfolio investment	-84.9	-445.8	-100.1	-167.1	-107.9	-90.3	14.8
Other investment	-1,479.3	-2,695.5	1,506.3	827.4	2,021.8	1,650.4	1,009.4
Net errors and omissions	**-240.8**	**4,486.5**	**-3,973.6**	**-922.1**	**-3,694.8**	**-2,068.5**	**-1,007.5**
Overall balance	**752.7**	**-622.0**	**786.3**	**1,329.6**	**-1,528.6**	**-724.6**	**-412.8**

BPM6

	2011	2012	2013	2014	2015p	Jan-Jun 2015p	Jan-Jun 2016p
Current Account	**4,134.1**	**3,223.7**	**5,302.5**	**3,914.6**	**956.7**	**823.4**	**-582.7**
Goods and Services	**7,145.4**	**5,586.6**	**6,952.4**	**5,702.1**	**1,568.7**	**1,213.1**	**-787.4**
Goods, net***	7,879.5	6,440.1	7,596.8	6,406.3	2,530.5	1,712.6	-114.4
Exports	17,041.3	16,324.7	17,593.1	14,964.5	11,132.0	5,806.4	4,309.3
Energy	14,694.9	13,189.9	14,036.3	12,491.5	8,750.7	4,702.0	3,361.2
Non-energy	2,346.4	3,134.8	3,556.7	2,473.0	2,381.2	1,104.4	948.0
Imports	9,161.8	9,884.5	9,996.2	8,558.2	8,601.5	4,093.9	4,423.6
Energy	3,981.9	3,829.8	4,508.6	2,867.7	2,428.4	1,135.7	1,556.8
Non-energy	5,179.9	6,054.8	5,487.7	5,690.5	6,173.1	2,958.2	2,866.9
Services, net	-734.1	-853.5	-644.4	-704.2	-961.7	-499.5	-673.0
Primary income, net	-3,031.7	-2,399.8	-1,675.5	-1,766.3	-570.5	-370.6	197.2
Secondary income, net	20.4	36.8	25.6	-21.2	-41.6	-19.2	7.4
Capital Account	**0.1**	**-0.6**	**1.0**	**0.3**	**0.5**	**0.5**	**-0.3**
Financial Account	**1,161.2**	**3,943.4**	**-37.8**	**103.8**	**408.7**	**429.0**	**-573.0**
Direct investment	**12.7**	**2,038.7**	**1,196.9**	**-689.3**	**-253.4**	**-25.4**	**-205.6**
Net acquisition of financial assets	67.2	189.4	62.5	-17.7	152.7	26.7	-235.8
Net incurrence of liabilities	54.6	-1,849.3	-1,134.4	671.6	406.1	52.1	-30.2
Portfolio investment	**1,237.4**	**1,587.9**	**142.6**	**846.0**	**870.2**	**376.1**	**-382.1**
Net acquisition of financial assets	1,090.9	1,130.8	574.1	739.1	743.4	264.3	-489.9
Net incurrence of liabilities	-146.5	-457.1	431.5	-107.0	-126.8	-111.8	-107.8
Financial derivatives	**-1.9**	**-2.6**	**4.2**	**-3.2**	**-1.0**	**-1.2**	**-1.2**
Net acquisition of financial assets	-1.9	-2.3	3.9	-1.8	-1.9	-1.9	-0.4
Net incurrence of liabilities	0.0	0.2	-0.2	1.3	-0.9	-0.7	0.8
Other investment	**-87.0**	**319.3**	**-1,381.5**	**-49.8**	**-207.2**	**79.6**	**15.8**
Net acquisition of financial assets	88.5	-271.9	-1,426.9	254.6	-672.0	-328.2	567.7
Net incurrence of liabilities	175.4	-591.2	-45.4	304.4	-464.8	-407.8	551.9
Net errors and omissions	**-2,171..4**	**108.1**	**-4,536.1**	**-2,489.9**	**-2,112.7**	**-1,152.9**	**-357.3**
Overall Balance	**752.6**	**-612.2**	**805.2**	**1,321.3**	**-1,564.2**	**-758.0**	**-367.3**

Source: Central Bank of Trinidad and Tobago.

p Provisional.
* Data for the public sector and commercial banks published in Monetary Policy Report, November 2016 are included under Other Investment.
** BPM5 goods data comprise data reported by the Central Statistical Office for 2011-Sep 2015 and an estimate for Oct 2015-Jun 2016 prepared by the Central Bank of Trinidad and Tobago.
*** BPM6 energy goods data for 2011-2016 comprise estimates by the Central Bank of Trinidad and Tobago.
Note: Tables presented are analytic presentations of the BOP. BPM6 data presented here differ from BPM5 due to the reclassification of institutional categories into appropriate functional categories, the inclusion of additional data sources, and other revisions to past data.

Box 3 cont'd

OTHER METHODOLOGICAL CHANGES TO BOP AND IIP COMPILATION

With the assistance of the IMF's Caribbean Regional Technical Assistance Centre, extensive work has been done to migrate the BOP and IIP to BPM6 and also to enact important improvements to boost the coverage of the source data. As a result, broad-based revisions have been produced for the BOP and IIP back to 2011. It should be noted that BOP data prior to 2011 have not been converted to BPM6 and therefore are not consistent with the current series.

These improvements focused on:

1. Revision of trade data. In December 2015, after processing a backlog of customs data, the Central Statistical Office (CSO) resumed reporting of comprehensive trade data for the period 2012-September 2015 to the Central Bank of Trinidad and Tobago . The data were incorporated into the BOP and published in the Bank's serial publications beginning with the March 2016 Economic Bulletin. Subsequently, large differences were observed between the trade volume statistics of selected energy commodities as reported by the CSO, and those provided by other substantive (and more direct) data sources. While actively seeking a resolution of this discrepancy, the Bank has, in the interim, constructed estimates of energy trade for the period 2011- 2015 using volume data from direct data sources, along with international commodity prices. These revisions have resulted in a greater alignment of the volume and value of energy exports and imports.

2. Expanding the survey frame for the Survey of Private Investment (SPI) and improving classification.

3. Making more extensive use of available data.

4. Improving coverage:

a. Coverage is expanded to include the foreign loan assets of the central government and the foreign liabilities of state enterprises.

b. Coverage for Foreign Direct Investment (FDI) in commercial banks is improved by incorporating information from regulatory returns.

c. Coverage of the energy and insurance sectors (including FDI) is also improved on the SPI.

5. The introduction of new surveys:

a. A quarterly survey of commercial banks was introduced in 2015 to collect data on inward FDI.

b. A quarterly survey of mutual funds was introduced in 2015 to collect data on portfolio and other investment assets.

6. Improving the conceptual framework and the classification structure of the financial account to follow the international guidelines prescribed in the BPM6:

a. The external transactions of state enterprises, central government, the Heritage and Stabilization Fund (HSF) and commercial banks were previously shown as separate line items and not included under direct, portfolio and other investment. These financial account transactions have now been assigned to the correct functional categories.

7. Cross-checking the accuracy of the various sources used to compile the international accounts, with particular emphasis on coverage of the most important reporters:

a. Following a review of the submissions of large enterprises, past BOP submissions were corrected for reporting inconsistencies (especially to correct for inconsistencies between transactions and stocks).

8. Ensuring the internal consistency of the international accounts as well as consistency with other macroeconomic datasets.

Box 3 cont'd

CONCLUSION

The international accounts play a crucial role in understanding international economic developments and how they affect the country's external vulnerability and sustainability. Statistics of the highest quality are therefore essential in aiding the formulation of appropriate fiscal and monetary policies. To ensure that the best data are used as inputs into the decision-making process, extensive work was done to implement BPM6, include new data sources and increase coverage as well as correct past data for inconsistencies. These efforts have led to an extensive revision of the BOP and IIP for Trinidad and Tobago. While much work has been done, the Bank continues to improve the coverage and quality of the international accounts. Thus, further improvements to the data may be expected in the near future.

APPENDIX I

CALENDAR OF KEY ECONOMIC EVENTS

July – December, 2016

July

01 Republic Financial Holdings Limited (RFHL) acquired an additional 19 per cent shareholding in Republic Bank (Grenada) Limited (RBGL) bringing its total shareholding to 70 per cent. The transaction resulted in RFHL acquiring an additional two hundred and eighty-five thousand and forty two (285,042) shares at a price of EC $45.00 per share. The holding company previously held a 51 per cent shareholding in its Grenadian subsidiary.

19 The Development Bank of Latin America or Corporacion Andina de Fomento (CAF) announced that it had granted a loan of US$300 million to the Government of Trinidad and Tobago. The money is to be used in the Ministry of Finance's Support Programme for the '*Medium Term Fiscal Consolidated Strategy*' which is designed to bolster tax revenue and to cushion the effects of the reduction of subsidies.

20 An Act to provide for the variation of certain duties and taxes and to introduce provisions of a fiscal nature and for related matters was assented to on this date. This Act may be cited as Finance (No.2) Act, 2016. (Act No.7 of 2016)

28 Republic Bank Limited announced the successful execution of a TT$2 billion Fixed Rate Bond to the Government of Trinidad and Tobago that will assist in the financing of the country's 2015/2016 Budget. The Bank was the sole arranger for the Bond which has a14-year term with a fixed interest rate of 4.50 per cent per annum.

The Government of Trinidad and Tobago successfully raised US$1 billion in its first international bond issue in three years. The ten-year Bonds have a fixed interest rate of 4.50 per cent. The money raised is expected to help in financing Trinidad and Tobago's development programme for the rest of the 2015/2016 fiscal year, as well as over the 2016/2017 fiscal year.

29 The Central Bank of Trinidad and Tobago maintained the Repo Rate at 4.75 per cent.

August

11 Effective on this date 7,777,660 Flavorite Foods Limited (FFL) shares were de-listed from the Trinidad and Tobago Stock Exchange.

September

1 The Mortgage Market Reference Rate (MMRR) was maintained at 3.00 per cent.

2 Mora Oil Ventures, a subsidiary of Mora Ven Holdings, announced that it has signed a new purchase agreement with Repsol, the Spanish energy company, to resume production from the Mora A platform. Production was expected to restart in November 2016.

16 BHP Billiton commenced production at its Angostura Phase 3 Project. Located offshore East Trinidad, it is expected to deliver 2.8 million barrels of incremental oil and approximately 400 billion cubic feet (bcf) of natural gas.

21 The Governments of Trinidad and Tobago and the United States signed a Customs Mutual Assistance Agreement (CMAA) to combat the illegal shipment of drugs, weapons and other contraband into their respective jurisdictions.

27 Trinidad and Tobago global competitiveness rating slipped five notches from 89 to 94 out of a total of 138 countries this year according to the 2016/2017 Global Competitiveness Report. The report identified poor work ethic as the number one factor impeding business in Trinidad and Tobago.

30 Shares of Massy Holdings Limited were delisted from the Barbados Stock Exchange. Shareholders had until this date to decide to either to sell their shares or to continue to hold the Company's shares on the Trinidad and Tobago Stock Exchange.

The Central Bank of Trinidad and Tobago maintained the Repo Rate at 4.75 per cent.

October

05 Caribbean Information and Credit Rating Services (CariCRIS) lowered its ratings on the National Gas Company of Trinidad and Tobago Limited (NGC) US$ 400 million debt issue by one notch to CariAA+ (Foreign and Local Currency) from CariAAA on the regional rating scale, and ttAA+ from ttAAA on the Trinidad and Tobago national rating scale with a stable outlook.

27 Scotiabank Trinidad and Tobago Limited in conjunction with Credit Suisse, RBC Capital Markets and CIBC Capital Markets facilitated a successful bond offering of US$600 million on the international capital market for Trinidad Generation Unlimited (TGU). The money will be used to liquidate debts incurred in the construction of the La Brea Power Plant. The bond will mature in November 2027 and is amortised with six equal semi-annual instalments due leading to maturity.

An Act to provide for the service of Trinidad and Tobago for the financial year ending on the 30th day of September, 2017 was assented to on this date. This Act may be cited as the Appropriation (Financial Year 2017) Act, 2016. (Act No.9 of 2016)

November

03 The Minister of Housing Mr. Randall Mitchell announced that NH International (Caribbean) Ltd was selected to construct a 160-unit apartment complex known as Mahogany Court at Mt. Hope. This is the first housing development to be constructed under the present Government using the public/private partnership model (PPP). Construction of the two-and three-bedroom units is expected to begin at the end of December and to be completed by December 2018.

25 The Central Bank of Trinidad and Tobago maintained the Repo Rate at 4.75 per cent.

December

01 The Mortgage Market Reference Rate (MMRR) was maintained at 3.00 per cent.

05 The Governments of Trinidad and Tobago and Venezuela signed an energy agreement to facilitate the delivery of natural gas from fields offshore of Venezuela's north eastern coastline to Trinidad. The pipeline will run from Venezuela's Dragon gas field to the Hibiscus Platform owned by Shell to the Point Lisas Industrial Estate in Trinidad where the gas would be processed and sold.

19 The Government of Trinidad and Tobago issued a TT$1,000 million, 6 year bond with a fixed rate of 3.80 per cent per annum. The bond was issued under the authority of the Development Loans Act Chap. 71:04. It is the central government's first bond issue for fiscal year 2016/2017. The original bond issue was TT$500 million, but was upsized to TT$ 1,000 million.

23 An Act to provide for the variation of certain duties and taxes and to introduce provisions of a fiscal nature and related matters was assented to on this date. This Act may be cited as the Finance (No.3) Act, 2016. (Act No.10 of 2016).