

PUBLIC EDUCATION STATEMENT

TO CLARIFY GDP ESTIMATES IN THE BANK'S NOVEMBER 2016 MONETARY POLICY REPORT



CENTRAL BANK OF
TRINIDAD & TOBAGO

The Central Bank of Trinidad and Tobago (CBTT) launched its latest Monetary Policy Report (MPR) on November 11, 2016. Presentations were made to the media and business persons and the conference was streamed live via the Bank's website.

As part of the Bank's Communication Strategy and consistent with its Strategic Plan 2016/17 to 2020/21 of ensuring that we deepen our engagement with the public, the Bank will seek to explain technical concepts and/or clarify issues based on feedback received following presentations of our key publications.

Given the feedback and questions received in relation to the MPR and specifically the Gross Domestic Product (GDP) estimates, the Bank would like to take the early opportunity to clarify the difference between the GDP estimates from CBTT and the Central Statistical Office (CSO).

The following are some of the major points to note:

1. GDP is the total monetary value of final goods and services produced within a country in a particular time period, for example a quarter or a year. It counts all the output produced within the borders of a country. GDP can be either nominal or real. GDP measured at current prices is called nominal or current price GDP. Nominal GDP therefore includes the effects of price changes on the value of output. Real GDP removes the effects of price changes so that movements in output can be ascertained.
2. **The CSO is the official source of GDP data in Trinidad and Tobago and as such, this is the traditional data source used by the Ministry of Finance over the years for the National Budget documents including the Review of the Economy and the Budget Statement.**
3. The CSO produces detailed data on both nominal and real GDP measures on an annual basis using the 'value added' method; this method records the value of all output minus the intermediate products used in production. Apart from actual GDP statistics, each year the CSO estimates a projection of the GDP for the current year as input into the national budgeting process. It should be noted that the Central Bank utilizes CSO actual GDP statistics in its analysis of annual historical economic performance.
4. The CSO GDP figures provide a reliable basis for yearly changes in economic performance. Since the CSO estimates are produced only at this frequency, the Central Bank has since 1987 compiled and published a Quarterly Real GDP (QGDP) Index in order to get a closer understanding of shorter term economic developments—which is essential in the conduct of monetary policy. These estimates are based on production figures in various sectors, for example output data from the Ministry of Energy. The QGDP Index does not include price effects.
5. Apart from its shorter term nature the CBTT's Index does not comprehensively cover all sub-industries measured by the CSO for example, within the Finance, Insurance, Real Estate and Other Business Services sub-sector, CBTT does not measure the Other Business Services in its methodology.
6. In terms of the November 2016 MPR, in discussing GDP movements for example the Report states (p. 13) "Following an overall decline of 0.6 per cent in 2015, GDP is estimated to have fallen by 6.7 per cent (year on year) in the first half of 2016, led by a contraction in the energy sector (10.8 per cent)". **The decline in 2015 is the CSO's latest estimate for that year, while the estimate for the first half of 2016 is based on the CBTT estimates of quarterly GDP. It should be noted that notwithstanding CBTT's estimate for GDP for the first half of 2016, using its own methodology, the CSO has estimated the decline in GDP for the whole of 2016 to be 2.3%, which is the figure used by the Ministry of Finance in the Review of the Economy 2016.**
7. The CSO is transitioning towards producing detailed real and nominal GDP statistics on a quarterly basis, and the Central Bank fully supports the organization in this project. These detailed quarterly estimates, when they become available, would replace the Bank's series.

The public is encouraged to send queries on this statement or on other aspects of the Bank's operations to info@central-bank.org.tt.