HIGHLIGHTS

Central Bank of Trinidad and Tobago Annual Economic Survey, 2023

CENTRAL BANK OF TRINIDAD & TOBAGO

In Summary:

- Global growth remained resilient in 2023 amid geopolitical conflicts, monetary policy tightening and elevated interest rates.
- The economic recovery in the Latin American and Caribbean (LAC) region continued, albeit slower, attributable to still elevated international energy commodity prices, strong consumption and investment activity, and growth among major trading partners.
- Domestic economic activity continued to display signs of revival over 2023, boosted by a strong non-energy sector performance.
- The ongoing post-pandemic recovery led to improvements in domestic labour market conditions.
- Headline inflation decelerated in 2023, influenced primarily by external and low domestic demand pressures.
- Lower energy revenue and increased spending resulted in the Central Government recording a deficit for the fiscal year ending September 2023, a reversal from the surplus in the previous year.
- The Central Bank kept its policy rate unchanged during 2023 in the context of low inflation.
- Trinidad and Tobago's external current account recorded a narrowed surplus over the first nine months of 2023 relative to 2022 due mainly to lower energy export earnings.

Global economic growth is anticipated to remain steady in 2024. Several forces shaping the outlook include: subdued activity in a number of advanced economies, mounting geopolitical conflicts, and tight financial conditions. Economic prospects for Trinidad and Tobago are modestly favourable over the short to medium term, as subdued energy sector activity is anticipated to partially offset strong growth in the non-energy sector. While inflation is anticipated to remain low in 2024, the actual pace of price movements will depend largely on the extent of any changes in utility or tax rates, the intensity of any adverse weather conditions, and the stability of global commodity prices. With respect to the external factor, heightened geopolitical tensions could reignite spikes in commodity prices and freight costs, thereby disrupting the global disinflation path.

ECONOMIC DEVELOPMENTS

Global output is estimated to have expanded by **3.2%** in 2023, following growth of **3.5%** in 2022 (IMF World Economic Outlook, April 2024).

According to data from the Central Statistical Office (CSO), **the domestic economy grew by 2.5%** (year-on-year) during the period January to June 2023, led by activity in the non-energy sector (4.2%).

The **unemployment rate** declined to an average of **4.0%** in 2023 compared to 4.9% in 2022.

Headline **inflation averaged 4.6%** in 2023, down from 5.8% in 2022.

The Central Government recorded a **deficit of 1.6% of GDP** in FY2022/23, compared with a surplus of 0.7% of GDP in FY2021/22.

The Central Bank maintained the **Repo rate at 3.50%** throughout 2023, unchanged since its 150 basis point reduction in March 2020.

Gross official reserves amounted to approximately **US$6.3 billion** at the end of December 2023 (equivalent to 7.8 months of import cover).