Central Bank of Trinidad & Tobago

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CONTENTS

Pages

REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

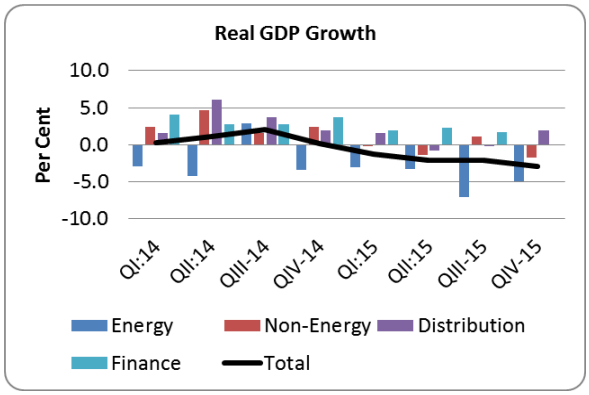
Part I	Overview	5
Part II	Outlook	11
Part III	International Economic Developments	14
Part IV	Regional Economic Developments	19
Part V	Gross Domestic Product	23
Part VI	Domestic Production and Commodity Prices	27
Part VII	Labour Market	36
Part VIII	Domestic Prices	40
Part IX	Central Government Fiscal Operations	43
Part X	Public Sector Debt	48
Part XI	Money, Credit and Interest Rates	51
Part XII	Capital Markets	59
Part XIII	International Trade and Payments	66

APPENDIX I: STATISTICAL TABLES (Tables 1-35)

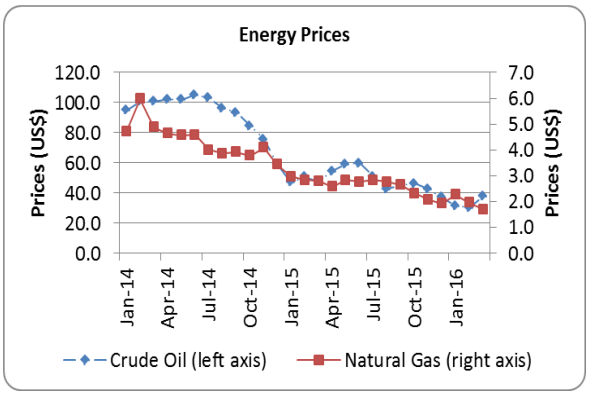
APPENDIX II: Calendar of Key Economic Events, July-December 2015

The Domestic Economy at a Glance

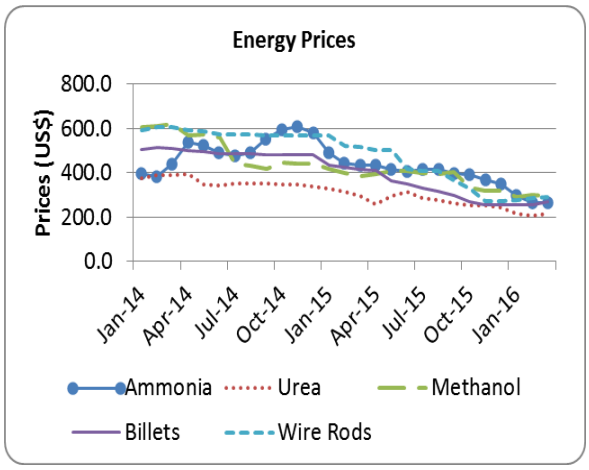
There has been a sharp slowdown in economic activity



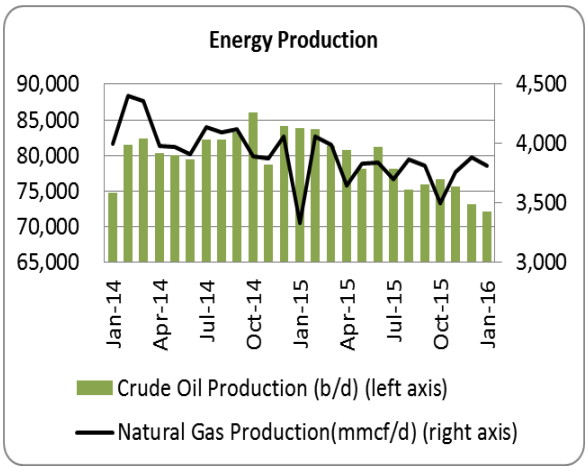
Prices of crude oil and natural gas have plummeted . . . . .



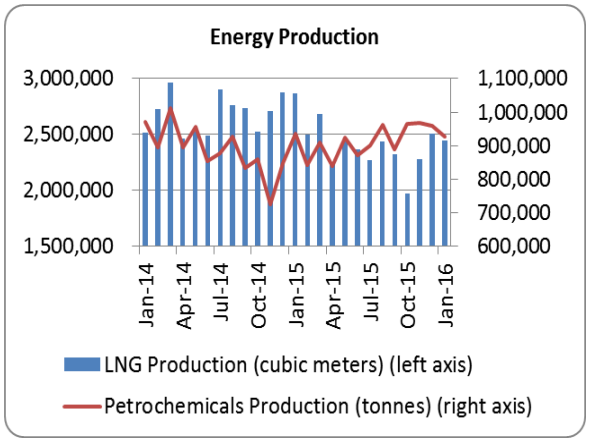
. . . . . and so too have the prices of petrochemicals and iron and steel products



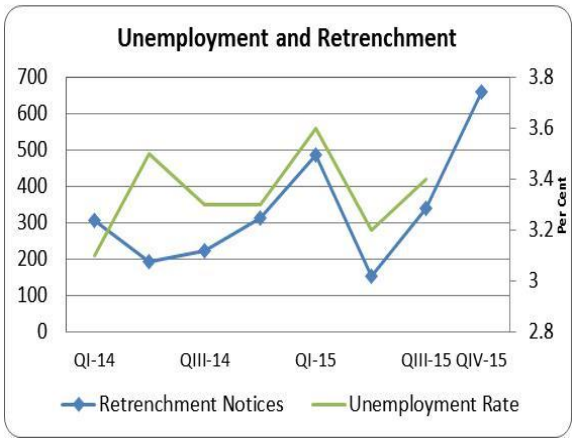
Crude oil and natural gas output have declined sharply



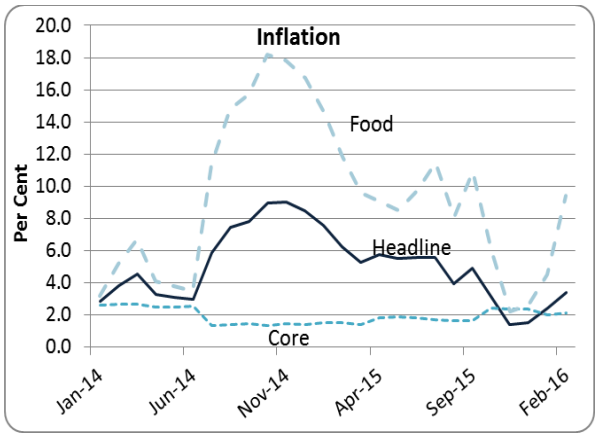
LNG output contracted while petrochemical production continues to grow



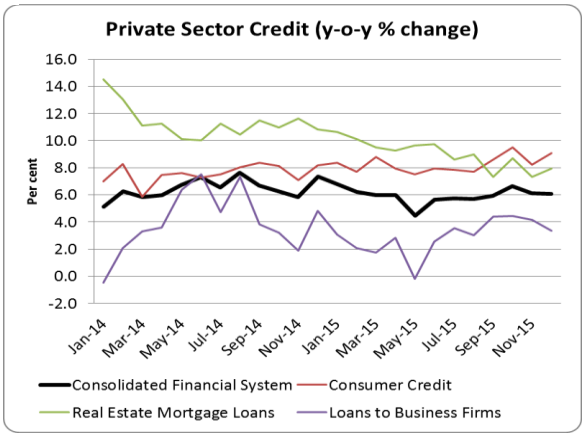
The unemployment rate remained low, but recent job cuts in the private sector suggest a weakening of employment conditions



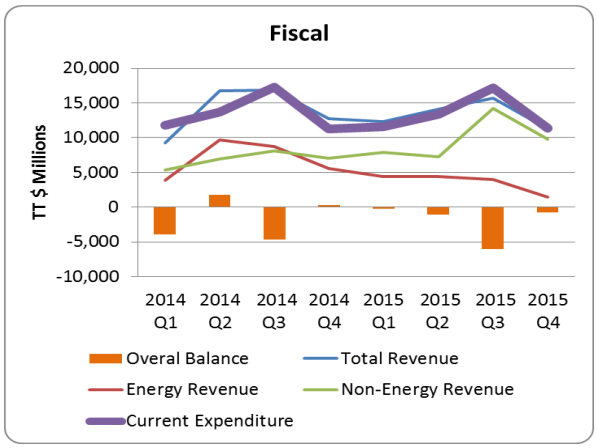
Inflation decelerated in 2015 but rose slightly in early 2016 partly on account of a widening of the VAT base



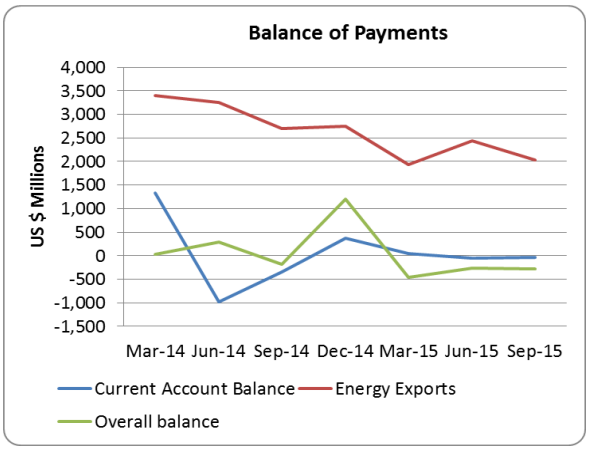
Private sector credit growth remains moderate



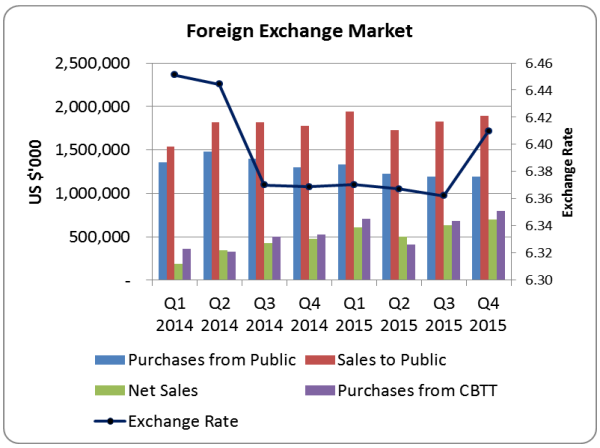
While energy and non-energy sector revenues have declined sharply, non- discretionary expenditure has remained high



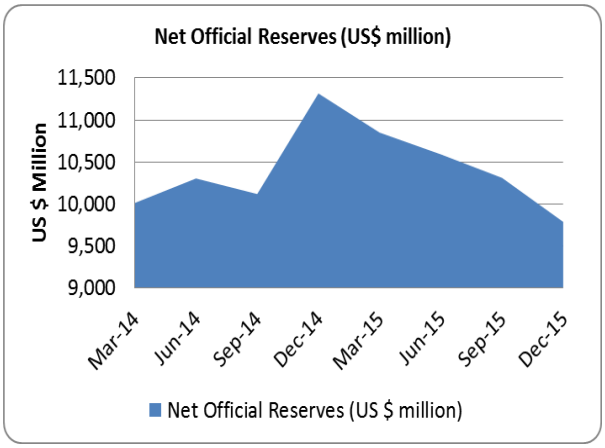
The slump in energy prices has dampened the value of energy exports



With authorised dealers' net purchases of foreign exchange falling, the Central Bank has increased sales of foreign exchange to the market and the domestic exchange rate has depreciated



Official reserves have declined but remain considerable.



PART I - OVERVIEW

The global economy faced several setbacks in 2015 arising from falling commodity prices, slowing growth in emerging market economies, subdued trade, weakened capital flows and financial market volatility which curtailed overall growth and dimmed expectations for 2016. In its January 2016 World Economic Outlook Update, the IMF reaffirmed its 3.1 per cent growth estimate for 2015, but lowered its forecast for 2016 to 3.4 per cent from the previous forecast of 3.6 per cent reported in October. The increase in global output in 2015 was driven primarily by stronger growth in advanced economies. The IMF estimates growth in advanced economies to increase from 1.8 per cent in 2014 to 1.9 per cent in 2015, and 2.1 percent in 2016. High income countries gained momentum in 2015 as growth was driven by increased domestic demand and buoyant credit conditions. With respect to the United States (US), although real GDP growth waned somewhat towards the end of 2015, activity remained broadly resilient with improved financial conditions and solid employment gains. On average, job creation in the US increased to more than 200,000 per month in 2015 and the unemployment rate declined to 5.0 per cent in the fourth quarter of 2015.

Against the background of sustained economic growth in the US, the Federal Reserve increased its policy interest rate in December 2015 for the first time since the financial crisis of 2008-2009, signaling another important step towards monetary policy normalisation. In the Euro Area, growth gained traction as exports and domestic demand accelerated and credit growth and intra-European trade improved. On the other hand, Japan's recovery in 2015 was stymied by underlying weaknesses in private consumption and investment as the economy softened despite growing corporate profits and heightened policy stimulus from continued quantitative easing.

Against a modest recovery in the advanced countries, growth in major emerging market and developing economies decelerated. The IMF estimated that growth in the emerging market economies averaged 4.0 per cent in 2015, down from the 4.6 per cent in 2014. This was primarily attributed to slowdowns in four of the BRICS economies – Brazil, Russia, China and South Africa – due to the impact of lower commodity prices and external financing pressures. Capital inflows weakened sharply due to the combined effect of improving macro-financial conditions in advanced economies and domestic structural impediments. The economies of the Latin America and Caribbean region also slowed. For the most part, weaker commodity prices had a deleterious effect on the incomes, investment and fiscal balances of the region's largest net commodity exporters.

In Trinidad and Tobago, the most recent statistics indicate that economic activity continued to contract during the fourth quarter of 2015. Provisional estimates from the Central Bank's Quarterly GDP Index[1] indicate that the domestic economy declined by an estimated 3.0 per cent (year-on-year) in the fourth quarter. This decline was the result of a 5.0 per cent contraction in the energy sector and a 1.8 per cent decline in the non-energy sector **(Chart I)**. The fall-off in production from the energy sector was attributed to both planned and unplanned maintenance activities undertaken by key industry producers as well as continued upgrades to infrastructure. Meanwhile, the slowdown in the non-energy sector was broad-based as all sectors, except for finance, insurance and real estate, recorded negative or flat growth.

The maturation of existing oil and gas fields and plant shutdowns for maintenance and infrastructural work resulted in lower crude oil and natural gas production which in turn affected throughput levels in the energy subsectors. Crude oil production fell below 80,000 barrels per day (b/d) to 75,823 b/d over the period July to December, down from 81,513 b/d in the first half of 2015 and 82,762 b/d in the corresponding period of 2014. Similarly, during the latter half of 2015, natural gas production fell by 6.9 per cent, reaching a low of 3,498 million standard cubic feet per day (mmscf/d) in October, the lowest level in two years. Furthermore, output in the midstream industry continued to be affected by lower gas supplies. Data from the Ministry of Energy point to a 16.5 per cent reduction in LNG production during the second half of 2015, while NGLs output declined by 8.9 per cent. In contrast, refinery throughput increased by 15.5 per cent to an average of 125,794 b/d following the completion of extensive upgrades to Petrotrin's refinery. Petrochemicals output rebounded during the second half of 2015 with the resumption of production from several ammonia and urea plants which had been shut down in the corresponding period of 2014. Meanwhile, iron and steel production[2] was severely curtailed during the second half of the year. Facing lower global demand, a major steel company sharply reduced its output of DRI, billets and wire rods during July to October 2015 and completely ceased production from November 2015 citing poor global and local economic conditions.

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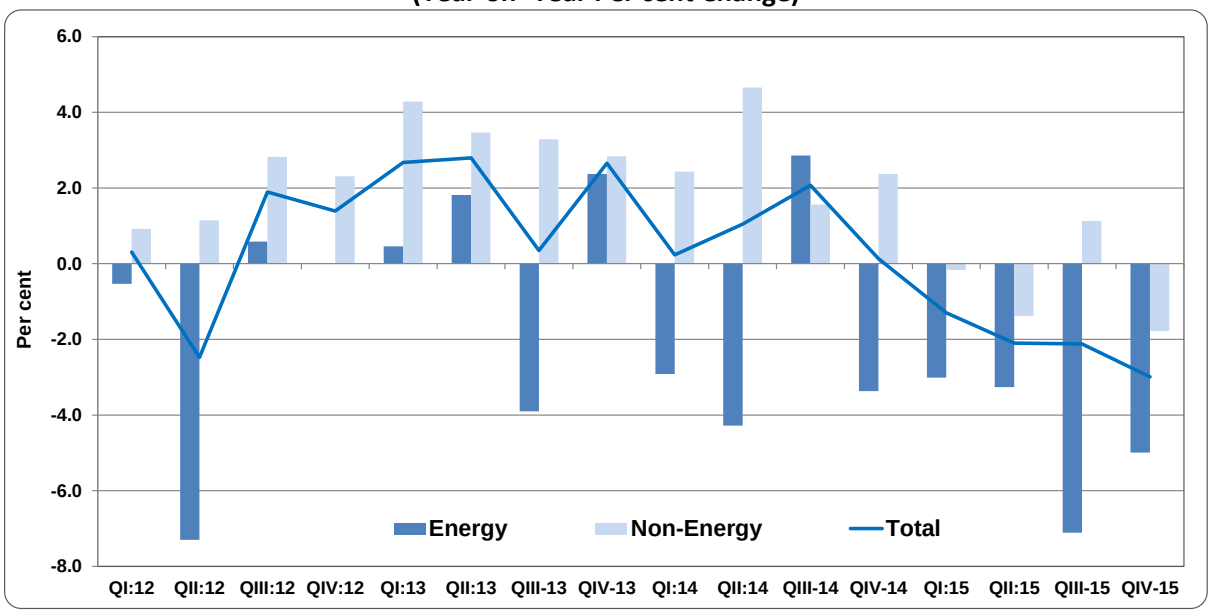
[1] The Central Bank's QGDP Index is summary indicator of quarterly movements in real GDP (based on volume indicators) while the GDP produced by the CSO measures value-added of all goods and services produced in a given year. For further details see Rebasing of the QGDP Index by L. Des Vignes and V. Prasad, and Rebasing of the Gross Domestic Product by Peter Pariag, *Economic Bulletin* August-November 2004, Vol. VI, Nos. 2&3, available at https://www.central-bank.org.tt/pdf/Research%20and%20Publications/Economic%20Bulletin%20%20November%202004.pdf. Also see *Economic Bulletin* July 2009, page 5 Box 1, available at http://www.central-bank.org.tt/pdf/Research%20and%20Publications/Economic%20Bulletin%20July%202009.pdf.

[2] In the Central Bank's QGDP Index, the output of iron and steel companies is included in the Assembly Type and Related Industries sub-category of the Manufacturing sector. The closure of the ArcelorMittal iron and steel plant caused output from the assembly industries to decline by 68.8 per cent.

Chart I
Real GDP Growth[1]
(Year-on- Year Per cent Change)



Source: Central Bank of Trinidad and Tobago.

[1] Real GDP growth rates are derived from the Central Bank's Index of Quarterly Gross Domestic Product (the QGDP Index), which is based on indicators of production rather than on value added. The Central Statistical Office (CSO) is the official source of GDP statistics.

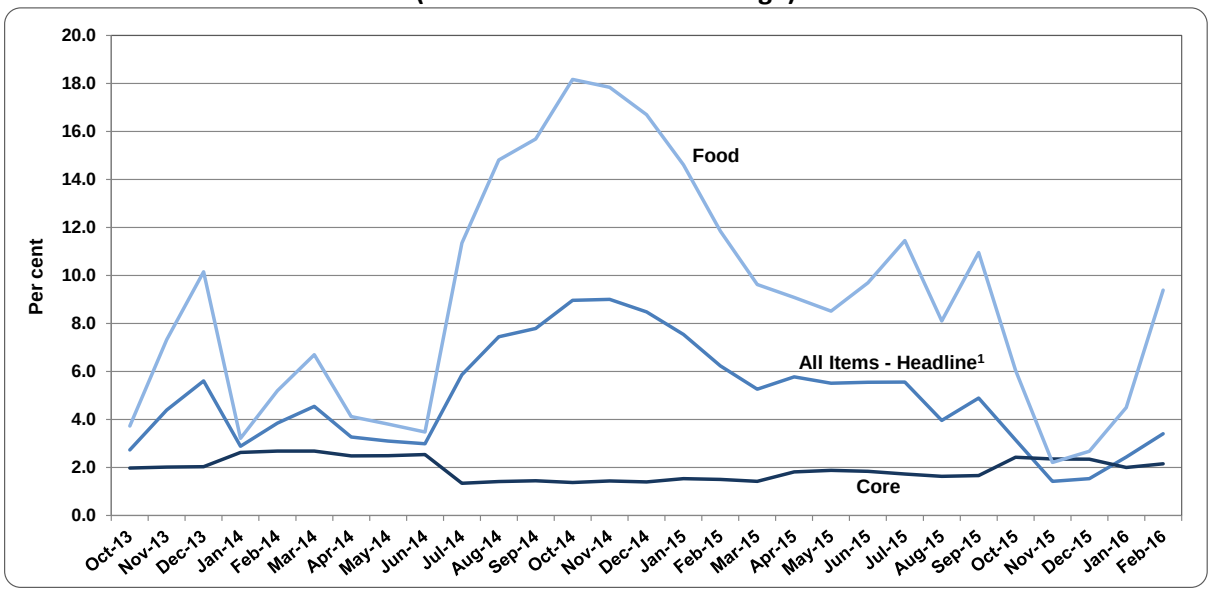
There are signs that the weak economic performance since the first quarter of 2015 is beginning to impact the labour market. Based on the latest available information from the Central Statistical Office, the rate of unemployment increased from 3.3 per cent at the end of 2014 to 3.4 per cent in the third quarter of 2015. This increase was attributed to a rise in the number of job losses and persons actively seeking work. Proxy indicators of the labour market for the remainder of 2015 and early 2016 suggest that conditions worsened. For example, the number of retrenchment notices filed with the Ministry of Labour and Small Enterprise Development increased by 756 over the period October 2015 to February 2016, from 490 in the corresponding period one year earlier.

Subdued economic activity has been accompanied by declining consumer and business sentiment. According to the latest Consumer Confidence Survey, consumer pessimism worsened in the first quarter of 2016. The consumer confidence index declined sharply to -30.8 from -13.9 in the fourth quarter of 2015 and -18.9 in the same period one year earlier. When compared with the fourth quarter of 2015, there was growing pessimism by consumers concerning the cost of living, the economy and the purchase of consumer durables. Less survey respondents felt that their financial circumstances had improved. In addition, consumers were of the opinion that their prospects for future income were dim. There was a significant fall in business confidence in the first quarter of 2016, when compared with the previous quarter. The business community identified the current

state of the local and global economic environments and declines in demand as the main reasons for the fall in optimism. The Business Confidence Index (BCI) was down to +2 in the first quarter of 2016, falling from a marginally optimistic outlook of +17 and +18 in the two previous quarters (Quarters 3 and 4 2015).

Headline inflation remained contained, measuring 3.4 per cent (year-on-year) in February 2016, up from 1.5 per cent at the end of 2015 but lower than the 6.2 per cent recorded in February 2015. The widening of the VAT base that took effect in February 2016 helped push food inflation to 9.4 per cent in February 2016, following a sharp deceleration in the food price index to 2.7 per cent in December 2015, – its lowest rate since August 2011. At the same time, core inflation was relatively unchanged at 2.1 per cent in February 2016 from 2.3 per cent at the end of 2015 **(Chart II)**.

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



Source: The Central Statistical Office of Trinidad and Tobago.

[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 (Jan. 15 = 100) with the previously existing series (Jan. 03 = 100), which possessed a different weighting structure.

In other developments, the Central Bank of Trinidad and Tobago kept its main policy rate, the Repo Rate, unchanged in the first three months of 2016, ending a period of consecutive increases since March 2014. Anticipating the impending interest rate liftoff in the US, the Bank increased the Repo rate on three occasions by 25 basis points each in the second half of 2015. The Repo reached 4.75 per cent in December 2015. The increases in the Repo rate to December 2015 saw the

commercial banks' median prime lending rate rising by 68 basis points to reach 8.93 per cent by the end of 2015, eventually settling at 9.00 per cent in mid-January 2016. Notwithstanding the interest rate increase, **c**ommercial bank lending, as well as lending by the non-bank financial institutions to businesses and consumers, continued to grow strongly during the six-month period to December 2015. However, in subsequent decisions in January and March 2016, the Central Bank kept the Repo rate unchanged at 4.75 per cent citing prevailing low inflationary conditions, a weak domestic economy and slowing global growth. Commercial banks median prime lending rate held at 9.00 per cent in March 2016.

Liquidity levels in the financial system moderated significantly throughout the second half of 2015 but showed a slight uptick in early 2016. Liquidity, as measured by commercial banks' holdings of reserves at the Central Bank in excess of the statutory requirement, declined by 16 per cent when compared with the first half of 2015due to lower net domestic fiscal injections. This moderation of excess liquidity levels saw the re-emergence of interbank activity and an increase in short-term interest rates over the second half of 2015. In the first three months of 2016, liquidity levels increased by 22.5 per cent to a daily average of $3.8 billion.

International crude oil and gas markets continued to be characterized by receding prices as US shale oil companies ramped up production and OPEC producers maintained their output levels. The saturation of the markets caused West Texas Intermediate (WTI) oil prices to plummet to an average of US$44.20 per barrel in the second half of 2015 and to US$30.39 per barrel (WTI) in February 2016, the lowest level in 10 years. In the Henry Hub market, natural gas prices were down to US$2.4 per million British thermal units (mmbtu) in the second half of 2015 from an average price of US$3.9 per mmbtu one year earlier; a decline of 37.3 per cent.

The sharp fall in commodity prices and lower production from the domestic energy industry, adversely impacted the central government's fiscal operations. In Fiscal Year 2014/15 (October 2014-September 2015), total revenue declined by 6.2 per cent on account of a precipitous fall of 35 per cent in energy collections which outstripped increases in non-energy and capital receipts. Central government's spending, except for transfers and subsidies, remained relatively unchanged resulting in a 1.6 per cent decline in total expenditure. As a consequence, the fiscal deficit jumped to $7 billion (4.2 per cent of GDP), far exceeding the budgeted deficit of $4.3 billion (2.3 per cent of GDP) and the previous year's deficit of $4.4 billion (2.6 per cent of GDP). Depressed conditions in the energy sector continued to weigh on the fiscal operations which incurred a deficit of $1.8 billion

in the first four months of the current fiscal year (October 2015-January 2016), according to the latest data from the Ministry of Finance.

With the plunge in global energy prices and depleted volumes of oil and gas available for export, total export receipts declined by 26.6 per cent in the first nine months of 2015 compared with the corresponding period of 2014. Merchandise imports were lower by 18.6 per cent in this same period but the data show that only energy imports were down (45.0 per cent) while non-energy imports increased (12.3 per cent). As the terms of trade[3] worsened, a deficit of US$38.7 million (-0.2 per cent of GDP) was recorded on the current account in the first three quarters of 2015, the first current account deficit since 2012.

While imports have fallen, the demand for foreign exchange has remained persistently high. In the final six months of 2015, sales by authorized dealers to the public grew by 3.4 per cent compared with the same period in the year prior. However, there were markedly lower conversions (11.4 per cent) in the banking system by foreign exchange earners during this period which worsened supply conditions in the foreign exchange market. The imbalances in the foreign exchange market prevailed in January and February 2016 as purchases by the authorized dealers from the public declined by a further 16.1 per cent (year-on-year) while sales to the public were 37.0 per cent lower. To maintain stability in the foreign exchange market and to minimize volatility in the exchange rate, the Central Bank completely offset the net sales gap in the eight months to March 2016. In light of the tighter market conditions, the exchange rate of the TT dollar against the US dollar depreciated by 0.8 per cent in 2015 and by a further 2.5 per cent in the three months to March 2016 to a weighted average rate of TT$6.5944/US$1.

[3] The terms of trade measures the relative price of a country's exports in terms of its imports. It is defined as the index of export prices divided by the index of import prices multiplied by 100. A deterioration in the terms of trade occurs when the price of a country's exports fall below the price of its imports.

PART II – OUTLOOK

Global growth is expected to improve but remain modest in 2016. In the latest IMF projections, world output is projected to grow by 3.4 per cent in 2016 from 3.1 per cent in 2015. Growth in the advanced economies is expected to outpace that of the developing countries in 2016. The prospects for emerging market and developing economies are dimmed by the commencement of the US monetary policy normalization at the end of 2015 which could weaken capital inflows and place pressure on exchange rates. The cooling of the Chinese economy and disinflationary pressures brought on by the continuous fall in energy prices could also dampen the prospects for global economic expansion. However, the rebounding US economy is anticipated to support the service-based Caribbean economies.

The effects of depressed oil prices and global growth uncertainties will weigh on the Trinidad and Tobago economy in 2016. Domestic real GDP is projected to contract by about 2 per cent on account of forecast declines in both the energy sector (-2.0 per cent) and non-energy sector (-2.5 per cent). Year-on-year inflation is forecast to settle around its 10-year average of 6 per cent given the impact of the widening of the VAT base on food prices while the unemployment rate is expected to rise marginally to 4.1 per cent **(Table 1)**. The energy sector continues to grapple with a low price environment and major maintenance and infrastructural upgrade activity which have curtailed gas supplies. However recent private and public sector initiatives should improve the supply of natural gas in the short to medium term. By the end of 2016, an additional 250 million cubic feet per day (mmcf/d) of natural gas is anticipated from EOG Resources from its Sercan field. bpTT is expected to add another 200-300 mmcf/d to natural gas output from its Onshore Compression Project and a further 590 mmcf/d in 2018 from its Juniper field by the end of 2017. Government initiatives to support the industry will be revealed in the new Natural Gas Master Plan which is now before the Cabinet for review. Provisional data for January 2016 from the Ministry of Energy indicate that crude oil production declined by 13.9 per cent to 72,190 barrels per day (b/d) in January 2016 from 83,883 b/d one year earlier. Natural gas production was 7.2 per cent lower at 3,819.0 mmcf/d in January 2016.

Meanwhile, activity in the non-energy sector, particularly in construction, manufacturing and distribution is expected to deteriorate. Constrained by declining revenues, particularly from the energy sector, the government has reduced its current and capital spending and will be conducting a mid-year evaluation of the Budget for 2015/2016 with a view to streamlining expenditure even

further. The reduction of the fiscal stimulus to the economy and the current downbeat outlook of businesses and consumers could deepen the decline in domestic demand. In this environment, businesses are likely to exercise more caution in their investment decisions and towards production expansion. The Government's announcement to partner with the private sector to construct homes should provide some fillip to the construction sector, once initiated. The distribution and finance sectors face the downside risk of lower consumer spending given the pervading uncertainty about the prospects for the economy.

Domestic labour market conditions are expected to slacken amid declining economic activity. While no official statistics are yet available for the fourth quarter of 2015, early indicators such as retrenchment notices and job openings suggest worsening labour market conditions in select sectors directly affected by the energy downturn. Moreover, there have been increasing reports of layoffs in recent months. Anecdotal evidence from newspaper reports and public notices suggests that between September 2015 and March 2016, twenty-nine companies announced job cuts which displaced close to 3,000 workers, but some industry specialists indicate that the figure could be as high as 5,000 persons. The largest job cuts have occurred in the manufacturing sector (1,124 persons), where steel producer ArcelorMittal laid-off 644 workers as the company shut down its plant, while Centrin and TMS International Corporation each retrenched 200 employees. In the energy sector, 294 persons have reportedly been retrenched. However, BHP Billiton announced that employee reductions could become necessary in the softening oil-price environment and the UK oil company BP has also indicated that it may have to cut jobs across its global operations. At the same time, there have been reports of labour shortages by local manufacturing companies and fast food retail chain outlets which present some opportunities for labour reallocation to take place. A ten-point plan developed by the Ministry of Labour and Small Enterprise Development to assist retrenched persons and to stave-off further job shedding may help to mitigate worsening employment conditions.

Table I
Summary Economic Indicators

	2011	2012	2013	2014	2015	2016[f]
INTERNATIONAL						
World Output[1]	4.2	3.4	3.3	3.4	3.1	3.4
Advanced Economies (% change)	1.7	1.2	1.1	1.8	1.9	2.1
Emerging and Developing Markets (% change)	6.3	5.2	5.0	4.6	4.0	4.3
DOMESTIC ECONOMY						
Real Sector Activity						
Real GDP (y-o-y % change)[2]	-0.3	1.3	2.3	-1.0	-2.1	-2.3
Energy (y-o-y % change)[2]	-3.9	-2.8	1.3	-2.4	-4.6	-2.0
Non-Energy (y-o-y % change)[2]	3.2	2.3	2.6	0.1	-0.6	-2.5
Headline Inflation (% end-of-period)	5.3	7.2	5.6	8.5	1.5	8.7
Headline Inflation (% average)	5.1	9.3	5.2	5.7	4.7	6.2
Core Inflation (% average)	1.7	2.5	2.4	2.0	1.8	2.4
Unemployment Rate (% average)	4.9	5.0	3.7	3.3	3.4*	4.1
Fiscal Operations[3]						
Central Government Fiscal Balance (% GDP)	-0.7	-1.3	-2.9	-2.6	-4.2[re]	-3.1
Public Sector debt[4] (% GDP)	31.2	39.4	39.1	40.9	45.4[p]	51.8
Money and Finance						
Commercial Banks Credit to the Private Sector (y-o-y % change	6.5	3.9	4.7	7.3	6.1	2.0
Broad Money Supply (M2) (y-o-y % change)	13.9	10.6	8.8	13.1	-1.4	-3.0
External Sector						
Current Account Balance (% GDP)	7.0[p]	-10.6[p]	12.9[p]	1.4[p]	-0.2[p]*	-2.0
Net Official Reserves (US$ Million)	9,822.7	9,200.7	9,987.0	11,316.6	9,788.0	8,524.9
Net Official Reserves (in months of prospective imports of goods and non-factor services)	13.5	10.4	12.0	12.7	11.1	10.1

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

* For the period January-September 2015.

p Provisional.

e Estimate.

re Revised Estimate

1 Sourced from IMF World Economic Outlook, January 2016

2 Real GDP growth rates are derived from the Central Bank's Index of Quarterly Gross Domestic Product (the QGDP Index which is based on indicators of production rather than on value added. Real GDP growth for the period 2011 to 2014 were sourced from the Central Statistical Office (CSO), the official source of GDP statistics.

3 On a fiscal year basis (October – September).

4 Represents balances (revised) 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.

PART III – INTERNATIONAL ECONOMIC DEVELOPMENTS

In the US, the Federal Reserve increased its target range for the federal funds rate from 0.0 per cent to 0.25 per cent to 0.25 per cent to 0.5 per cent in December 2015, ending seven years of the ultra-accommodative monetary policy. The Fed Chair stated that it was "prudent to begin early and gradually." The Federal Open Market Committee (FOMC) highlighted that future adjustments to the target range would be determined by improvements in the longer run objectives of maximum employment and 2.0 per cent inflation. Following this increase, the Fed maintained its target range of 0.25 to 0.5 per cent at its March 2016 FOMC meeting. According to recent estimates, the US economy expanded at an annualized rate of 1.4 per cent (quarter-on-quarter) in the final quarter of 2015, following growth of 2.0 per cent in the previous quarter **(Table 2).** This deceleration was primarily a reflection of a fall in personal consumption expenditure coupled with a slowdown in both exports and non-residential fixed investment. Labour market conditions continued to improve as the unemployment rate was 4.9 per cent in the first two months of 2016, the lowest rate since 2007 **(Table 3).** Consumer prices remained well below the Federal Reserve's 2.0 per cent long run target with the Fed's main inflation gauge, the PCE inflation rate, measuring 1.0 per cent (year-on-year) in February 2016.

Table 2
Advanced Economies – Quarterly GDP Growth
/Quarterly Per Cent Change/

	2014				2015			
	I	II	III	IV	I	II	III	IV
United States[1]	-0.9	4.6	4.3	2.1	0.6	3.9	2.0	1.4
United Kingdom	0.6	0.8	0.7	0.7	0.4	0.6	0.4	0.5
Euro Area	0.2	0.1	0.3	0.4	0.6	0.4	0.3	0.3
Japan	1.2	-1.9	-0.7	0.5	1.1	-0.4	0.3	-0.3

Source: Bloomberg.
1 Adjusted at annual rates.

Table 3
Rate of Unemployment in Developed Countries
/Per Cent/

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
United States	5.3	5.1	5.1	5.0	5.0	5.0	4.9	4.9
United Kingdom	5.5	5.4	5.3	5.2	5.1	5.1	5.1	n.a.
Euro Area	10.8	10.8	10.7	10.6	10.5	10.4	10.3	n.a.
Japan	3.3	3.4	3.4	3.2	3.3	3.3	3.2	3.3

Source: Bloomberg.

In the United Kingdom (UK), economic activity expanded at 0.5 per cent (quarter-on-quarter) in the fourth quarter of 2015, following an expansion of 0.4 per cent in the previous quarter. The deceleration in growth was mainly attributable to weak consumer spending. Helped by plunging commodity prices, the UK's inflation rate was kept below 0.1 per cent (year-on-year) for the first eleven months of 2015 but inched up to 0.2 per cent in December 2015 on account of a sharp rise in airfares **(Table 4)**. Following this, inflation was recorded at 0.3 per cent (year-on-year) in the first two months of 2016. In December 2015, the Bank of England (BoE) kept its key policy rate unchanged at 0.5 per cent and maintained its Asset Purchase Programme at £375 billion (US$630 million). The Bank also indicated that once it begins interest rate lift-off, it will do so at a gradual pace and by a lower level than previous cycles.

The Euro Area continued to record lackluster growth in the fourth quarter of 2015, highlighting that signs of the earlier crisis still remain evident. Output rose by 0.3 per cent (quarter-on-quarter) in the fourth quarter of 2015, unchanged from the previous quarter. The region's two largest economies, Germany and France, both recorded growth of 0.3 per cent in the fourth quarter of 2015. In February 2016, consumer prices reached negative territory underscoring signs of a deflation last experienced in September 2015. Labour market conditions improved somewhat as the unemployment rate measured 10.5 per cent in October 2015, a marginal decline of 0.1 per cent from the previous month. In September 2015, the European Central Bank (ECB) increased the issue share limit of quantitative easing purchases from 25.0 per cent to 33.0 per cent. ECB president, Mario Draghi, indicated that this was necessary to ensure the continued smooth functioning of the asset purchase programme.

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

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
United States	0.3	0.3	0.2	0.2	0.5	0.7	1.2	1.0
United Kingdom	0.1	0.0	-0.1	-0.1	0.1	0.2	0.3	0.3
Euro Area	0.2	0.1	-0.1	0.1	0.1	0.2	0.3	-0.2
Japan	0.2	0.2	0.0	0.3	0.3	0.2	0.0	0.3

Source: Bloomberg.

Following an expansion of 0.3 per cent (quarter-on-quarter) in the third quarter of 2015, the Japanese economy contracted by 0.3 per cent in the fourth quarter stimulating fears of another technical recession. However, inflation continued to linger below the Bank of Japan's (BoJ) 2.0 per cent target, while the unemployment rate was recorded at 3.3 per cent in February 2016 - higher than the 3.2 per cent recorded in the previous month. In a move that surprised financial markets, the BoJ introduced a negative interest rate in January 2016 when it lowered the Bank's key policy rate to minus 0.1 per cent. The Bank stated this action was necessary to stimulate the depressed economy and move towards the Bank's 2.0 per cent inflation target. In March 2016, the BoJ reaffirmed its commitment to maintain its target of enlarging the monetary base by ¥80 trillion (US$724 billion) in an effort to bolster the economy.

Amongst emerging market economies, depressed economic conditions continue to impact the Brazilian economy. In the twelve months to December 2015, the Brazilian economy recorded its largest annual decline (3.8 per cent) since the 1990's. The deceleration in growth was more pronounced in the third and fourth quarters of 2015. Real GDP declined by 4.5 per cent (year-on-year) in the third quarter of 2015, followed by a deeper contraction of 5.9 per cent in the fourth quarter of 2015 **(Table 5)**. Analysts have stated that the economic decline is on account of the government's inability to gain Congressional approval for an unpopular austerity package. Meanwhile, Brazil (an inflation targeting economy) recorded an inflation rate of 10.4 per cent (year-on-year) in February 2016, significantly higher than the upper bound of the target range of 6.5 per cent. In January 2016, the unemployment rate registered 7.6 per cent, which was higher than the previous month's rate of 6.9 per cent. In the midst of a technical recession, the Central Bank of Brazil held its benchmark interest rate unchanged at 14.25 per cent in March 2016. In December 2015, Fitch Ratings cut the country's sovereign debt rating to junk status (BBB- to BB+) as the economy

struggled to recover from a recession and increased political uncertainty surrounding the government's capacity to effectively implement fiscal policies.

Table 5
Emerging Economies – Quarterly GDP Growth
/Year-on-Year Per Cent Change/

	2013				2014				2015			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
China	7.8	7.5	7.9	7.6	7.3	7.4	7.1	7.2	7.0	7.0	6.9	6.8
India	4.7	7.0	7.5	6.4	5.8	7.5	8.3	6.6	6.7	7.6	7.7	7.3
Russia	0.7	1.2	1.3	2.1	0.6	0.7	0.9	0.4	-2.2	-4.6	-3.7	-3.8
Brazil	2.8	4.1	2.8	2.4	3.2	-0.8	-1.1	-0.7	-2.0	-3.0	-4.5	-5.9

Source: Bloomberg.

India's economy continued to excel, outstripping economic growth in China. Real GDP grew by 7.3 per cent (year-on-year) in the fourth quarter of 2015, higher than the previous quarter's growth of 7.0 per cent. The main drivers behind this improved performance were strong fixed investment growth and accelerated government spending. In the midst of record low inflation, the Reserve Bank of India (RBI) cut its key policy rate by 50 basis points to 6.75 per cent in September 2015 - a four-year low for the rate. In February 2016, the inflation rate was 5.2 per cent (year-on-year).

Economic growth in China dipped to 6.8 per cent (year-on-year) in the fourth quarter of 2015 from 6.9 per cent in the previous quarter. This marks the lowest growth rate for the world's second largest economy in twenty five years. In an attempt to bolster the cooling economy, the People's Bank of China (PBoC) cut its benchmark one-year lending rate from 4.6 per cent to 4.35 per cent in October 2015, representing the sixth rate cut since November 2014. The reserve requirement ratio for all banks was also decreased by 100 basis points between October 2015 to March 2016, bringing the rate to 17.0 per cent. In December 2015, the IMF opted to include the Chinese currency in the Special Drawing Rights which are used to complement the official reserves of IMF member countries. With effect from October 1 2016, the yuan will be added as the fifth currency in the IMF basket which contains the US dollar, the euro, the Japanese yen and the British pound.

The Russian economy continued to contract under the strain of lower oil prices, declining real wages, a weakening currency and geopolitical adversity. Real GDP declined by 3.8 per cent in the fourth quarter of 2015, following contractions of 4.6 per cent and 3.7 per cent in the second and third quarters, respectively. Inflation was 8.1 per cent (year-on-year) in February 2016, lower than the previous month's rate of 9.8 per cent **(Table 6).** In March 2016, the Bank of Russia maintained its

benchmark interest rate at 11.0 per cent citing the unchanged balance between inflation risks and risks of economic cooling as the determining factor.

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

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
China	0.8	1.4	1.4	1.5	1.2	1.4	1.6	2.0	1.6	1.3	1.5	1.6	1.8	2.3
India	5.2	5.4	5.3	4.9	5.0	5.4	3.7	3.7	4.4	5.0	5.4	5.6	5.7	5.2
Russia	15.0	16.7	16.9	16.4	15.8	15.3	15.6	15.8	15.7	15.6	15.0	12.9	9.8	8.1
Brazil	7.1	7.7	8.1	8.2	8.5	8.9	9.6	9.5	9.5	9.9	10.5	10.7	10.7	10.4

Source: Bloomberg.

PART IV – REGIONAL ECONOMIC DEVELOPMENTS

Towards the end of 2015, the economic performance of Caribbean countries was mixed. While Jamaica begun to show signs of recovery, sluggish economic activity persisted in Barbados and the commodity exporting economies of Guyana and Suriname. Similarly, the countries of the Eastern Caribbean experienced muted growth **(Table 7)**.

Jamaica

Economic activity in Jamaica weakened in the fourth quarter of 2015. Following real GDP growth of 0.7 per cent and 1.5 per cent in the second and third quarters of 2015 respectively, Jamaica's economy expanded by 0.7 per cent (year-on-year) in the fourth quarter. Inflation was recorded at 3.7 per cent (year-on-year) in January 2016, unchanged from the previous month. In the third quarter of 2015, the country's current account recorded a deficit of 3.1 per cent of GDP, down from a deficit of 9.7 per cent of GDP in the corresponding period one year earlier. The IMF completed its ninth review of Jamaica's economic performance under the Extended Fund Facility (EFF) in October 2015. Upon completion of the review, the Fund authorized disbursement of another tranche in the amount of US$39.7 million. According to the IMF, the country's macroeconomic fundamentals continued to strengthen with inflation reaching historical lows. Meanwhile, economic growth is projected to expand by 1.4 per cent for fiscal year 2015/2016 with the current account deficit expected to narrow to US$518 million during the same period, from a deficit of US$738 million for the period a year-earlier. With respect to monetary policy, the Bank of Jamaica lowered its Standing Liquidity Facility by 25 basis points to 8.0 per cent in August 2015 citing the continued fall in the rate of inflation. The Bank also reduced its key benchmark rate (30-day Certificate of Deposit) to 5.25 per cent from 5.50 per cent, on account of a reduction in macroeconomic vulnerabilities, low international oil prices, an improvement in the external current account and reductions in the public debt ratios.

Barbados

The Barbadian economy continued to experience lackluster economic growth. Real GDP was estimated to have expanded by 0.5 per cent (year-on-year) in 2015, following 0.2 per cent growth in 2014. According to the Central Bank of Barbados, the marginal uptick was attributable to relatively buoyant activity in the tourism sector. However, despite this improvement, the unemployment rate was still high at an average of 11.8 per cent in 2015 – a minor change from the 12.3 per cent in the previous year. Meanwhile, deflation continued to be a source of concern as consumer prices fell by

2.5 per cent (year-on-year) in December 2015, lower than the previous month's decline of 2.8 per cent.

Guyana

Guyana's economy remained relatively stagnant in 2015. Economic activity expanded by 0.7 per cent (year-on-year) in the first half of 2015 compared with robust economic growth of 4.8 per cent during the corresponding period in 2014. A slowdown in construction activity coupled with increased volatility in international commodity markets which adversely affected gold and bauxite production, both contributed to the deceleration in economic activity. On the other hand, there was positive growth in the agriculture sub-sectors such as the rice, sugar and livestock and in the services sector. In the first quarter of 2015, Guyana's current account deficit narrowed to approximately 5.0 per cent of GDP in the first nine months of 2015, lower than the 15.3 per cent of GDP recorded in the corresponding period of 2014.

Suriname

In Suriname, price pressures escalated towards the end of 2015. The inflation rate accelerated to 29.5 per cent (year-on-year) in January 2016, an increase of 4.9 per cent from the previous month. Meanwhile the current account deficit further deteriorated to 16.0 per cent of GDP in 2015 from a deficit of 8.0 per cent of GDP in 2014. International reserves continued to decline to US$299.1 million at the end of February 2016 from US$308.7 million in January 2016.

PetroCaribe Developments

In an address[4] during the latter half of 2015, Venezuelan President, Nicolas Maduro, stated that "PetroCaribe has already served 10 years, and is a beautiful and powerful reality for our peoples." He went on to indicate the need to build a productive and diversified economic zone throughout the Caribbean which will provide a fillip to foreign exchange earnings and promote more fluid connections amongst member countries. Eighteen Caribbean economies currently fall under the PetroCaribe arrangement[5]. However, recent turmoil in the energy market has escalated fears of a Venezuelan withdrawal from the PetroCaribe agreement. Drastic changes to the terms of the arrangement could be economically disastrous to Caribbean members who would have to seek

[4] An address by President Nicolas Maduro during a visit to Grenada on October 17, 2015.

[5] These include: Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Dominica Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname and Venezuela.

alternative energy suppliers. In light of this, the IMF called on PetroCaribe members to limit their reliance on the arrangement and to start building buffers.

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

Indicator	Country	2010	2011	2012	2013	2014	2015[e]
General Government Debt/GDP	Antigua and Barbuda	90.8	92.4	87.1	95.5	98.2	105.5
	The Bahamas	43.2	45.0	48.4	56.3	60.9	62.1
	Barbados	70.2	76.2	84.6	95.9	100.7	103.3
	Belize	83.2	79.4	75.0	75.2	75.3	77.2
	Dominica	66.8	69.7	72.6	74.7	76.4	77.8
	Dominican Republic	23.8	25.8	30.5	34.6	35.0	33.3
	Grenada	96.9	100.7	103.3	106.7	100.5	90.3
	Guyana	65.2	65.2	62.5	57.3	65.8	70.2
	Haiti	17.3	11.8	16.5	21.4	26.6	26.5
	Jamaica	142.0	140.5	145.3	139.7	135.7	124.8
	St. Kitts and Nevis	159.3	151.6	137.3	102.9	79.9	74.5
	St. Lucia	62.4	66.9	73.7	78.6	79.4	81.7
	St. Vincent and the Grenadines	66.3	68.3	72.0	74.3	76.7	77.0
	Suriname	18.5	20.1	21.6	30.2	26.9	36.9
	Trinidad and Tobago[1]	33.9	31.2	39.4	39.1	40.9	45.4
Current Account Balance/GDP	Antigua and Barbuda	-14.7	-10.4	-14.6	-14.8	-14.5	-10.5
	The Bahamas	-10.1	-15.1	-18.3	-17.7	-22.2	-12.9
	Barbados	-5.8	-12.8	-9.3	-9.3	-8.5	-4.8
	Belize	-2.4	-1.1	-1.2	-4.4	-7.6	-6.3
	Dominica	-16.2	-13.5	-18.8	-13.3	-13.1	-12.8
	Dominican Republic	-7.4	-7.5	-6.6	-4.1	-3.2	-2.4
	Grenada	-23.7	-23.6	-21.1	-23.2	-15.5	-13.7
	Guyana	-9.6	-13.0	-11.6	-13.3	-15.6	-14.9
	Haiti	-1.5	-4.3	-5.7	-6.3	-6.3	-4.3
	Jamaica	-8.0	-12.1	-10.7	-8.7	-7.4	-4.6
	St. Kitts and Nevis	-20.8	-15.9	-9.8	-6.6	-7.6	-12.6
	St. Lucia	-16.2	-18.8	-13.5	-11.2	-6.7	-6.6
	St. Vincent and the Grenadines	-30.6	-29.4	-27.6	-30.9	-29.6	-26.9
	Suriname	14.9	5.7	3.3	-3.9	-7.4	-9.4
	Trinidad and Tobago	18.7	7.0	-10.6	12.9	1.4	-0.2*
Real GDP	Antigua and Barbuda	-8.5	-1.9	3.6	1.5	4.2	2.2
	The Bahamas	1.5	0.6	2.2	0.0	1.0	1.2
	Barbados	0.3	0.8	0.3	0.0	0.2	1.0
	Belize	3.3	2.1	3.8	1.5	3.6	2.2
	Dominica	0.7	-0.1	-1.3	0.6	3.9	2.8
	Dominican Republic	8.3	2.8	2.6	4.8	7.3	5.1
	Grenada	-0.5	0.8	-1.2	2.3	5.7	3.4
	Guyana	4.4	5.4	4.8	5.2	3.8	3.2
	Haiti	-5.5	5.5	2.9	4.2	2.8	2.5
	Jamaica	-1.5	1.4	-0.5	0.2	0.4	1.1
	St. Kitts and Nevis	-3.8	-1.9	-0.9	6.2	6.1	5.0
	St. Lucia	-1.7	0.7	-1.1	0.1	0.5	1.8
	St. Vincent and the Grenadines	-2.3	0.2	1.3	2.3	-0.2	2.1
	Suriname	5.1	5.3	3.1	2.8	1.8	1.5
	Trinidad and Tobago[2]	3.3	-0.3	1.3	2.3	-1.0	-2.1

Source: International Monetary Fund, World Economic Outlook Database, Oct 2015 and Central Bank of Trinidad and Tobago.

e Estimate.

1 Data reported in Fiscal Years (Oct - Sep) and excludes debt issued for sterilization purposes.

2 Real GDP growth rates for 2015 are derived from the Central Bank's Index of Quarterly Gross Domestic Product (the QGDP Index), which is based on indicators of production rather than on value added. Real GDP growth for the period 2011 to 2014 are sourced from the Central Statistical Office (CSO), the official source of GDP statistics.

* For the period Jan-Sep 2015.

PART V – GROSS DOMESTIC PRODUCT

Real output from the domestic economy contracted in the fourth quarter of 2015. Provisional estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) Index, indicate a fall in real output of 3.0 per cent (year-on-year) in the fourth quarter of 2015 **(Table 8)**. This follows from three consecutive quarters of contractions of 1.3 per cent in the first quarter and 2.1 per cent in the second and third quarters of 2015. The decline was broad based as both the energy sector and the non-energy sector contracted during the quarter.

In an environment of low energy prices, major upstream companies temporarily suspended production to undertake infrastructural works and upgrades to their facilities. This led to a contraction of output in the energy sector for the fourth consecutive quarter. Energy sector output fell by 5.0 per cent (year-on-year) in the fourth quarter of 2015, compared with declines of 3.0 per cent in the first quarter, 3.3 per cent in the second quarter and 7.1 per cent in the third quarter. The Exploration and Production sub-sector decreased by 6.2 per cent on account of relatively large declines in crude oil (-9.4 per cent) and natural gas production (-5.8 per cent) which were mainly associated with production stoppages on several bpTT platforms. This development in turn affected output in the Refining sub-sector which declined by 14.0 per cent on account of a significant falloff in LNG production (16.7 per cent) as the Atlantic Train IV facility was shut down for maintenance. On the other hand, the petrochemicals sub-sector expanded by 18.9 per cent owing in most part to the resumption of production from the Tringen I ammonia plant. Fertilizer and methanol production increased by 28.9 per cent and 10.3 per cent, respectively, in the fourth quarter of 2015 as gas feedstock earmarked for Train IV was instead diverted to the petrochemicals industry.

Real output in the non-energy sector weakened in the fourth quarter of 2015[6]. Economic activity across all sectors of the economy, with the exception of the Finance, insurance and real estate subsector either weakened or remained flat in the fourth quarter of 2015. The pickup in economic activity in the construction sub-sector during the third quarter of 2015 was completely reversed in the fourth quarter of 2015 due to the streamlining of public sector projects. The dip in the local sales of cement indicates that activity in the construction sector declined by 8.3 per cent (year-on-year) in the fourth quarter of 2015. The manufacturing sector contracted for the fourth consecutive quarter, by 2.8 per cent, as the closure of the ArcelorMittal iron and steel plant caused output from the assembly industries to decline by 68.8 per cent. As a result, the manufacturing sector's capacity utilization rate declined to 60.6 per cent in the fourth quarter of 2015 from 72.9 percent one year earlier **(Table 9)**. Notably, there was a sharp slowdown in the capacity utilization related to the

[6] Output for the manufacturing, distribution, transport, government and other services sectors are estimated or Quarter IV 2015 since actual data is not yet available.

Assembly Type and Related Industries sub-sector which measured 21.4 per cent, down from 45.0 per cent in the same period one year prior. ArcelorMittal's plant shutdown directly impacted the electricity and water sector which declined by 0.9 per cent due to lower demand. Partial indicators such as motor vehicle sales which declined by 3.9 per cent in the fourth quarter of 2015, point to a fall in output from the distribution sector, estimated at 1.7 per cent. Based on data from the National Agricultural Marketing and Development Corporation (NAMDEVCO), the Agriculture sector also experienced a falloff in output of 1.9 per cent in the fourth quarter of 2015 as root crop production declined. Meanwhile, the Finance, insurance and real estate sector recorded the strongest growth performance in the non-energy sector as it expanded by 1.8 per cent on account of sustained economic activity in the commercial banking sub-sector. Growth in the Transport, storage and communication, Government and Other services sectors were estimated to be flat.

Table 8
Quarterly GDP Growth Rates
(Per Cent)

	Total QGDP	Energy Sector	Non-Energy Sector	Dist.	Finance	Manuf.	Const.	Agri.
Weights	**1000**	**312.9**	**687.1**	**163.6**	**142.2**	**70.6**	**74.6**	**13.6**
			Quarterly					
2012								
Qtr. I	0.2	6.1	-3.7	0.9	4.9	-6.1	-5.8	-48.3
Qtr. II	-1.4	-4.3	0.7	-1.9	-1.8	2.9	-5.7	8.9
Qtr. III	2.7	2.8	2.6	0.6	2.6	6.5	16.0	45.7
Qtr. IV	-0.1	-4.3	2.8	0.9	-1.6	-2.1	-0.8	24.2
2013								
Qtr. I	1.5	6.6	-1.8	6.1	5.8	-3.6	-5.1	-47.5
Qtr. II	-1.3	-3.0	-0.1	-2.7	-1.1	4.6	-5.3	7.3
Qtr. III	0.3	-2.9	2.5	0.4	2.1	1.8	15.5	45.6
Qtr. IV	2.2	2.0	2.4	0.9	-2.7	-0.8	-1.3	17.5
2014								
Qtr. I	-1.0	1.1	-2.2	3.1	6.0	-3.8	-4.7	-38.0
Qtr. II	-0.5	-4.4	2.1	1.6	-2.3	5.1	0.2	-4.0
Qtr. III	1.3	4.3	-0.6	-1.9	2.1	1.0	3.9	43.8
Qtr. IV	0.3	-4.2	3.2	-0.8	-1.8	-3.7	8.0	27.9
2015[p]								
Qtr. I	-2.4	1.5	-4.7	2.6	4.0	-3.2	-12.3	-47.2
Qtr. II	-1.3	-4.6	0.8	-0.7	-1.9	5.2	-1.6	-4.9
Qtr. III	1.3	0.2	2.0	-1.3	1.4	0.4	15.2	57.0
Qtr. IV	-0.6	-2.0	0.2	-2.3	-1.7	-5.0	-7.8	24.4
			Year-on-Year					
Jan-Mar12/Jan-Mar11	0.3	-0.5	0.9	2.1	1.8	-2.6	-4.1	-9.0
Apr-Jun12/Apr-Jun11	-2.5	-7.3	1.1	2.0	1.9	-4.2	-3.5	-7.8
Jul-Sep12/Jul-Sep11	1.9	0.6	2.8	4.6	2.4	0.9	1.3	1.1
Oct–Dec12/Oct-Dec11	1.4	0.0	2.3	0.5	4.0	0.7	2.3	1.9
Jan-Mar13/Jan-Mar12	2.7	0.5	4.3	5.7	4.8	3.4	3.0	3.5
Apr-Jun13/Apr-Jun12	2.8	1.8	3.5	4.8	5.5	5.1	3.5	2.0
Jul-Sep13/Jul-Sep12	0.3	-3.9	3.3	4.6	5.0	0.4	3.0	1.9
Oct-Dec13/Oct-Dec12	2.6	2.4	2.8	4.6	3.8	1.8	2.5	-3.6
Jan-Mar14/Jan-Mar13	0.2	-2.9	2.4	1.5	4.0	1.6	3.0	13.9
Apr-Jun14/Apr-Jun13	1.0	-4.3	4.7	6.1	2.8	2.0	8.9	1.8
Jul-Sep14/Jul-Sep13	2.1	2.9	1.6	3.7	2.8	1.2	-2.0	0.6
Oct-Dec14/Oct-Dec13	0.1	-3.4	2.4	2.0	3.8	-1.7	7.2	9.4
Jan-Mar15/Jan-Mar14[p]	-1.3	-3.0	-0.2	1.6	1.9	-1.1	-1.4	-6.8
Apr-Jun15/Apr-Jun14[p]	-2.1	-3.3	-1.4	-0.8	2.3	-0.9	-3.2	-7.7
Jul-Sep15/Jul-Sep14[p]	-2.1	-7.1	1.1	-0.2	1.7	-1.5	7.3	0.8
Oct-Dec15/Oct-Dec14[p]	-3.0	-5.0	-1.8	-1.7	1.8	-2.8	-8.3	-1.9
			Annual[2]					
2011	-0.3	-3.9	3.2	9.8	5.3	-0.3	-8.8	0.3
2012	1.3	-2.8	2.3	-0.9	3.0	0.9	-2.0	-12.6
2013	2.3	1.3	2.6	2.7	8.9	-1.0	6.4	-0.1
2014	-1.0	-2.4	0.1	-1.1	-1.2	-4.0	2.9	2.9
2015[p]	-2.1	-4.6	-0.6	-0.3	1.9	-1.6	-1.5	-3.2

Source: Central Bank of Trinidad and Tobago.

[p] Provisional.

1 Real GDP growth rates are derived from the Central Bank's Index of Quarterly Gross Domestic Product (the QGDP Index), which is based on indicators of production rather than on value added. The Central Statistical Office (CSO) is the official source of GDP statistics.

2 Real GDP growth rates for 2015 are derived from the Central Bank's QGDP Index.

The annual growth rates for the period 2011 to 2014 are sourced from the Central Statistical Office.

Table 9
Capacity Utilization in the Manufacturing Sector

	2014				2015[p]			
	QI	QII	QIII	QIV	QI	QII	QIII	QIV
Manufacturing	69.7	69.7	70.8	72.9	66.9	71.6	67.9	66.6
Food, Drink & Tobacco	78.8	75.3	78.7	83.4	73.5	80.8	77.1	77.2
Chemicals and Non-Metalic Minerals	62.9	71.0	67.5	67.7	64.2	70.4	64.6	63.5
Assembly Type and Related Industries	56.6	50.5	46.4	45.0	49.6	42.7	48.2	21.4

Source: Central Bank of Trinidad and Tobago.

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PART VI – DOMESTIC PRODUCTION AND COMMODITY PRICES

Petroleum

Over the second half of 2015 crude oil production declined by 8.4 per cent reflecting mature acreage and a lack of upstream investment in recent years. Production levels have been consistently below 80,000 barrels per day (b/d) over the second half of the year[7]. In the second half of 2015 production levels averaged 75,823 b/d, down from 81,513 b/d in the first half of 2015 and 82,762 b/d in the corresponding period of 2014.

Completed refinery upgrades resulted in robust growth in Petrotrin's refinery throughput during the second half of 2015. Refinery throughput registered a 15.5 per cent (year-on-year) increase for the second half of 2015. This significant increase was attributable to the completion of extensive plant upgrades at the Point-a-Pierre refinery as well as a base effect from substantial maintenance works which took place in 2014. Throughput averaged 125,794 b/d in the period under review, up from 108,893 b/d in 2014. The rise in throughput levels coupled with lower domestic crude production resulted in higher imports. As a result, crude imports jumped by 35.6 per cent during the second half of 2015.

International crude oil prices continued to decline in the second half of 2015. Rising supplies from shale oil producers created a glut in the market in 2015, a phenomenon which began to affect prices since the second half of 2014 **(see Box 1)**. The decision by the Organization of Petroleum Exporting Countries (OPEC) to maintain production levels in the face of plummeting market prices added to the downward pressure on prices in the second half of 2015. Output from the group was maintained as a means of preserving its market share in the face of increasing unconventional supplies on the world market. International benchmark Brent prices averaged US$47.1 per barrel during the second half of 2015, a decline of 47.7 per cent, while West Texas Intermediate (WTI) prices declined 48.2 per cent to an average of US$44.2 per barrel over the same period **(Table 10)**. The crude oil price continued its decline in the first quarter of 2016, hitting a 12-year low in January as the lifting of sanctions on Iran and the removal of the ban on US crude oil exports stoked fears of further increases in supply. By March 2016 however, markets saw strength from evidence of falling crude oil output in the US.

[7] Crude oil production stabilized at or around 80,000 b/d since 2012.

Table 10
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)	Billets (fob Latin America)	Wire Rods (fob Latin America)
2014	**93.11**	**4.37**	**505.59**	**360.32**	**513.46**	**492.63**	**581.94**
2015	**48.71**	**2.61**	**413.11**	**282.20**	**381.88**	**343.00**	**424.52**
Jan-14	94.86	4.70	395.30	377.00	606.50	507.00	592.00
Feb-14	100.73	5.97	381.25	390.00	611.50	515.00	607.50
Mar-14	100.57	4.87	439.00	390.00	620.50	511.30	605.00
Apr-14	102.08	4.63	535.00	393.00	569.00	501.25	591.25
May-14	101.86	4.56	525.00	349.00	574.00	498.00	586.00
Jun-14	105.24	4.58	491.00	342.50	561.00	487.50	592.10
Jul-14	102.94	4.01	475.00	350.00	440.00	487.50	575.00
Aug-14	96.38	3.87	487.50	353.00	432.00	484.00	574.00
Sep-14	93.22	3.92	553.00	351.00	418.00	480.00	570.00
Oct-14	84.40	3.87	595.00	345.00	446.00	480.00	570.00
Nov-14	75.81	4.08	610.00	345.00	442.00	480.00	570.00
Dec-14	59.26	3.43	580.00	338.30	441.00	480.00	570.00
Jan-15	47.27	2.98	488.80	330.00	416.00	434.38	570.00
Feb-15	50.61	2.84	445.00	316.30	398.50	425.00	520.00
Mar-15	47.78	2.80	434.00	296.30	384.50	516.30	413.75
Apr-15	54.44	2.58	435.00	260.00	394.00	410.00	505.00
May-15	59.27	2.84	416.30	295.00	407.50	363.00	505.00
Jun-15	59.80	2.77	407.00	314.80	408.50	347.50	420.00
Jul-15	50.90	2.83	415.00	286.80	401.00	330.00	410.00
Aug-15	42.86	2.76	415.00	275.75	393.50	315.63	410.00
Sep-15	45.45	2.65	397.50	261.25	404.00	296.25	365.00
Oct-15	46.20	2.32	390.00	253.00	335.00	270.50	328.00
Nov-15	42.70	2.08	367.00	251.75	320.00	255.00	272.50
Dec-15	37.23	1.92	346.67	245.50	320.00	255.00	272.50
Jan-16	31.54	2.27	297.00	217.00	289.50	254.38	276.88
Feb-16	30.39	1.96	265.63	206.00	301.50	255.00	285.00
Mar-16	37.77	1.70	267.50	215.00	296.50	271.25	292.50

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.

Natural Gas

Natural gas production declined 6.9 per cent over the latter half of 2015. Heightened maintenance activity in the upstream sector continued to negatively impact natural gas production. Production fell to 3,498 million standard cubic feet per day (mmscf/d) in October 2015, the lowest level in two years. Additionally, another major producer also experienced downtime in July 2015. Production over the six-month period averaged 3,756.5 mmscf/d **(Table 11)**.

Low upstream production negatively affected LNG and NGL production levels. Downtime by major gas producing companies impacted both NGL and LNG production. Phoenix Park Gas Processor's production fell by 8.9 per cent during the second half of 2015 while output at Atlantic LNG was down 16.5 per cent. Atlantic LNG also undertook significant maintenance of Trains 3 and 4 in the second half of 2015 in an attempt to maintain operational standards.

International gas prices continued to be suppressed over the second half of 2015. Over the period July to December 2015, prices at the Henry Hub averaged US$2.4 per million British thermal units (mmbtu). This compares to an average price of US$3.9 per mmbtu one year earlier, representing a 37.3 per cent decline in natural gas prices over the six month period. Similarly, prices in other regions, such as Europe and Asia, have been subdued given their indexation to international oil prices. Additionally, reports of a warmer than usual winter kept prices suppressed as there was little evidence of resurgence in prices given prevailing market fundamentals. Weak market fundamentals continued into 2016 as prices remained depressed in the first quarter.

Table 11
Natural Gas Production

	Jul-Dec 2014	Jul-Dec 2015	% change
	mmcf/d	mmcf/d	
BPTT	2,197.0	1,915.3	-12.8
Trinmar	15.0	19.0	26.7
Petrotrin	4.2	4.0	-4.0
EOG Resources	510.2	577.7	13.2
BG T & T	920.5	805.5	-12.5
BHP Billiton	353.3	405.0	14.6
Repsol	33.2	30.0	-9.5
Total	**4,033.3**	**3,756.5**	**-6.9**

Source: Ministry of Energy and Energy Industries.

Nitrogenous Fertilizers

Fertilizer production improved 17.1 per cent (year-on-year) during the second half of 2015. This outturn reflected a recovery from the significant outages during the corresponding period in the previous year when several plants including Tringen I, Tringen II, N2000 as well as the urea plant at PCS Nitrogen were taken offline for different periods of time. Much of the rebound was related to a 'base effect' given the above-mentioned. Accordingly, ammonia production increased by 13.2 per cent during the second half of 2015 while urea output rose by 66.3 per cent.

Fertilizer markets remained soft over the second half of 2015 on the heels of a prolonged winter period which stifled prices. Prices showed some signs of resurgence in the peak summer period, but amid weak demand and a low natural gas price environment, the prospect of prices surpassing those of the previous year, remained slim. Ammonia prices averaged US$388.5 per tonne while urea prices averaged US$262.3 per tonne, reflecting declines of 29.4 per cent and 24.4 per cent, respectively when compared to the corresponding period one year ago. Fertilizer prices remained weak in the first quarter of 2016 as the winter period aided in a further price decline.

Methanol

Despite being affected by gas supply issues in the latter half of 2015, methanol production improved 5.9 per cent. The industry faced similar challenges in 2014 from the mismatch between downstream demand and upstream natural gas supply at several plants. However in 2014 the industry also underwent a rigorous maintenance effort in the final quarter of the year. The improvement in the second half of 2015 is therefore largely the result of a base effect.

Methanol prices remained weak in the second half of 2015 as markets continued to be affected by weak demand and strong supply. Prices were adversely affected by the soft demand for methanol. Prices in Europe fell to a five year low in November 2015 as suppliers faced logistical challenges. Methanol prices averaged US$362.3 per tonne over the period July to December 2015, a 17 per cent decline from the corresponding period in 2014. Market forces remained unbalanced over the first quarter of 2016 resulting in the continued suppression of prices.

Iron and Steel

Local iron and steel production faced major setbacks due to a slump in the international steel market. After facing mechanical challenges in the first half of the year, Arcelor Mittal announced in November 2015 that the international iron and steel market was experiencing challenges similar to the recessionary conditions of the 1990's. The company decided to scale back its operations, producing only when there was evident demand. As a result, DRI production fell 44.7 per cent (year-on-year) over the period July to October 2015. Over the same period, billet and wire rod production declined 39.3 per cent and 65.2 per cent, respectively.

Prices plunged as demand in iron and steel markets diminished. International markets such as Brazil and the United States experienced weak demand resulting in a severe decline in prices. Over the period July to December 2015, wire rods prices averaged US$343.0 per tonne while billet prices averaged US$287.1 per tonne. As the market, continued to grapple with recessionary conditions in the first three months of 2016, iron and steel prices also remained weak over the period.

Box 1: The Petroleum Market

Since mid-2014, there has been a precipitous decline in international crude oil prices with adverse consequences for oil-exporting countries. In July 2014, against the background of weaker global demand and steady supply growth from several territories including the United States (US) and Libya, oil prices began their retreat from an extended period of high prices. After averaging US$96.50 per barrel from January 2011 until mid-2014, oil prices declined steadily during the second half of 2014 and ended the year below US$50 per barrel. The market got a boost from rising tensions in the Middle East during the first half of 2015 which led West Texas Intermediate (WTI) oil prices to increase to an average of US$59.80 per barrel in June 2015. However, during the second half of 2015, prices were suppressed by weakening market sentiments on account of sustained oversupply, concerns over slowing growth and financial distress in China and decelerating levels of fuel consumption. By January 2016, crude oil prices were hovering at US$30 per barrel, the lowest in twelve years. Despite significantly weaker prices, the Organization of Petroleum Exporting Countries (OPEC) which controls nearly two-fifths of the global oil market, kept their output quota at 30 million barrels per day (b/d). Nevertheless OPEC produced above this (at 31.5 million b/d) throughout 2015, but effectively abandoned the quota system in December 2015, preferring to safeguard market share at the expense of a longstanding policy of cutting output to defend prices.

High oil prices between 2010 and June 2014 provided an enabling environment for the growth of unconventional and relatively expensive sources of oil supplies such as shale. This, coupled with sustained output from OPEC resulted in an oversupply in the international market of over 2 million b/d in late 2015 according to OPEC. With the removal of economic sanctions, Iran plans to increase its crude oil exports by one million b/d within a twelve month period, stoking fears of even further price declines. Low prices during the last twelve months have resulted in economic imbalances in oil-exporting countries, especially for Venezuela and Iran. Several oil-exporting countries including Saudi Arabia, the United Arab Emirates (UAE), Nigeria, Oman, Bahrain and Kuwait, have announced intentions or have already started to reduce subsidies on energy in an effort to relieve budget pressures. Many of these nations have been forced to recalibrate their budgets in light of depleted oil revenues. As a result of low prices, a few international oil companies have also announced cuts in global investment and employment.

There is widespread consensus that the international petroleum market will remain volatile and uncertain with weak and low prices for a few years. In January 2016, the US Energy Information Administration (EIA) lowered its oil price forecast for 2016 by more than 20 per cent. The WTI price estimate for 2016 was lowered to US$38.52 per barrel from a previous estimate of US$50.83 per barrel while the BRENT price was estimated at US$40.10 per barrel in 2016, down from an earlier estimate of US$55.72 per barrel. Given this lower price trajectory of the crude oil market, oil-exporting countries may be particularly vulnerable to declining revenues and worsening balance of payments positions in the coming years. Extensive efforts will be needed for these economies to adjust to what is being considered the new normal.

Agriculture

Agricultural production varied during the second half of 2015. Data from the National Agricultural Marketing and Development Company (NAMDEVCO) revealed a mixed performance in the agriculture sector during the period July to December 2015**.** There were increases (year-on-year) in the availability of locally grown commodities such as sweet potato, tomatoes, cucumber and watermelon at the Norris Deonarine Northern Wholesale Market (NDNWM). However, there were reduced quantities of other root crops including cassava, dasheen and eddoes and vegetables and fruits such as cabbage, callaloo bush, christophene and pineapples **(Table 12)**. This followed lower supplies of selected locally grown root crops, vegetables and fruits available for sale at the NDNWM during the first quarter of 2015 that were partially attributed to a change in operating hours at the wholesale market[8]. While not apparent during the second half of 2015, data from NAMDEVCO in previous periods reveal that there have been increases in food imports to supplement the availability of local produce **(see Box 2)**.

[8] Farmer participation at the Norris Deonarine Northern Wholesale Market was adversely affected by the change in operating hours from 10:00am-6:00pm to 8:00am-3:00pm that took place with effect from March 11, 2015. Some farmers sought to access alternative facilities while others made arrangements to sell their produce directly to supermarkets and restaurants.

Table 12
Availability of Selected Commodities at the Norris Deonarine Northern Wholesale Market

Commodity	Jul-Dec 2014	Jul-Dec 2015	Jul-Dec 15 (Year-on-Year Per Cent Change)
LOCAL			
Root Crops			
Sweet Potato (kg)	928,808	1,110,511	19.6
Cassava (kg)	284,164	265,320	-6.6
Dasheen (kg)	74,752	60,609	-18.9
Eddoes (kg)	36,337	27,612	-24.0
Leafy Vegetables			
Cabbage (Local Green) (kg)	244,283	210,001	-14.0
Callaloo Bush (Roll) (Bundle)	120,529	90,960	-24.5
Vegetables			
Tomato(kg)	554,546	828,891	49.5
Cucumber(kg)	559,233	767,275	37.2
Sweet Pepper(kg)	188,533	189,593	0.6
Christophene(kg)	139,815	109,045	-22.0
Fruits			
Watermelon(kg)	498,322	590,425	18.5
Pineapple(kg)	491,756	405,947	-17.4
IMPORTS			
Root Crops			
Dasheen(kg)	415,455	534,356	28.6
Eddoes(kg)	478,349	397,787	-16.8
Sweet Potato(kg)	89,598	94,248	5.2
Leafy Vegetables			
Cabbage (Green) (kg)	361,088	288,285	-20.2
Vegetables			
Tomato(kg)	75,659	46,217	-38.9

Source: The National Agricultural Marketing and Development Corporation (NAMDEVCO).

Box 2: The Domestic Food Import Bill

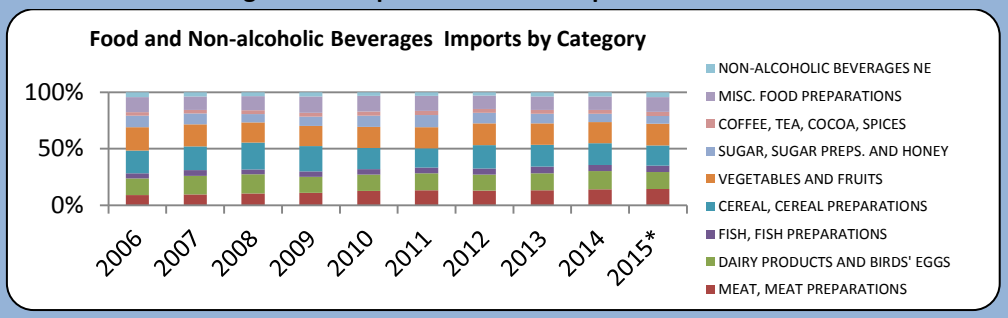
Over the period 2006 to 2014, the nominal value of food imports[1] more than doubled. The growth in the food import bill coincided with a rise in the distributive trades and challenges faced by the agriculture sector such as flooding, pests and praedial larceny. In fact, the domestic agriculture sector stagnated between 2006 and 2014. During this time, the contribution of agriculture to total Gross Domestic Product (GDP) remained at about 0.5 per cent, and total employment in the sector fell by more than 10 per cent. The total food import bill measured $5.6 billion in 2014, an increase of close to $3.0 billion from 2006. As a share of total imports, food imports increased to 8.4 per cent in 2014 from 6.4 per cent in 2006 (**Figure 1**). For the nine months ending September 2015, food imports were $4.1 billion and accounted for 9.0 per cent of total imports compared with $4.4 billion or 7.8 per cent of total imports in the corresponding period of 2014.

Domestic demand for food items has been largely spread across five main categories, namely: (i) cereals and cereal preparations, (ii) fruits and vegetables, (iii) dairy products and birds' eggs and (iv) meat and meat preparations. Over the reference period, January 2006 to September 2015, the average contribution of cereals and cereal preparations (19.9 per cent), fruits and vegetables (19.0 per cent), dairy products and birds' eggs (15.2 per cent), miscellaneous food preparations (12.7 per cent) and, meat and meat preparations (12.4 per cent) accounted for just about 80 per cent of total food imports. The largest two categories accounted for just over $2 billion of imports in each year since 2012 (**Figure 2**). The food import bill is expected to remain relatively high in the medium term given the continued demand for imported food items and ongoing challenges in the domestic agriculture sector.

Figure 1: Food Imports 2006- 2014

Source: Data obtained from the Central Statistical Office

Figure 2: Composition of Food Imports 2006 - 2014



Source: The Central Statistical Office.
* January to September 2015.

[1] The definition for food used in this study differs from the definitions used by the World Bank and the Food and Agriculture Organization (FAO). For this study SITCs 01 to 07, 09 and 11 were grouped as total food imports.

PART VII – LABOUR MARKET

According to official unemployment statistics, labour market conditions slackened in the third quarter of 2015. Latest available information from the Central Statistical Office (CSO) revealed that the unemployment rate pushed up to 3.4 per cent in the third quarter of 2015, from 3.3 per cent in the corresponding period of 2014 **(Table 13)**. The increase in the unemployment rate reflected a fall in the labour force (17,900 persons) largely owing to a reduction in the number of persons with jobs (17,700 persons) in the twelve months to September 2015. As a consequence, the participation rate declined to 60.3 per cent in the third quarter of 2015 from 62.0 per cent in the similar period one year prior.

The increase in job separation occurred mostly in the services, construction and manufacturing sectors. There were noticeable job losses in the Community, Social and Personal Services (9,300 persons), Construction (8,300 persons) Manufacturing (3,300 persons), and Transport, Storage and Communication (2,800 persons) sectors. However, weaknesses in labour demand in these sectors were partly offset by increases in employment in the Finance (3,200 persons), Wholesale and Retail Trade, Restaurants and Hotels (1,900 persons) and Electricity and Water (1,600 persons) sectors **(Table 14)**.

Labour productivity declined towards the end of 2015 amid weakening economic activity and slowing employment creation. The Index of Productivity (measured as the Index of Domestic Production divided by the Index of Hours Worked) fell by 3.0 per cent in the fourth quarter of 2015 after increasing by 0.8 per cent in the previous quarter. Subdued economic activity within the non-energy sector resulted in the all industries (exclusive of energy) Sub Index of Productivity declining by 2.5 per cent in the fourth quarter of 2015 compared with a decline of less than 1.0 per cent in the corresponding period of 2014. Noticeable productivity declines were observed in the Garment and Footwear (18.0 per cent), Electricity (15.3 per cent) and Assembly Type and Related Products (15.0 per cent) sub-sectors.

In the absence of official unemployment statistics from the Central Statistical Office, early indicators for the period October 2015 to February 2016 suggest further deterioration in labour market conditions. Retrenchment notices filed with the Ministry of Labour and Small Enterprise Development – a barometer of job separation – saw the number of persons retrenched increase by 756 over the period October 2015 to February 2016 from 490 in the corresponding period one year ago **(Chart 1)**. The main sectors affected included the Construction, Finance and Petroleum sectors

which retrenched 329 persons, 142 persons and 101 persons, respectively. Meanwhile, the number of job openings[9] fell by 6.3 per cent over the period October 2015 to February 2016, suggesting an overall decline in labour demand. Further, recent announcements of job cuts in the private sector over the period September 2015 to March 2016 highlight the changing employment situation (Table 15). The largest layoffs were announced in the manufacturing sector where iron and steel producer, ArcelorMittal dismissed 644 workers as the company shut down business in the midst of a weak global steel market. Relatedly, Centrin and TMS International Corporation retrenched 200 employees each.

Table 13[1]
Selected Labour Indicators
(Quarterly)

	QI-14	QII-14	QIII-14	QIV-14	QI-15	QII-15	QIII-15
Unemployment Rate (%)	3.1	3.5	3.3	3.3	3.6	3.2	3.4
Total Labour Force	664,300	659,000	660,100	651,000	646,000	649,100	642,100
Total Persons with Jobs	643,500	636,200	637,900	629,800	622,800	628,600	620,200
Total Male Unemployed	10,900	11,500	9,800	11,200	11,100	8,700	10,700
Total Female Unemployed	9,800	11,500	12,300	10,100	12,100	11,800	11,200
Male Participation Rate (%)	73.1	71.7	71.7	72.2	71.4	71.8	70.8
Female Participation Rate (%)	52.1	52.3	52.5	50.2	50.1	50.2	49.8

Source: Central Statistical Office.
[1]Numbers may not sum due to rounding.

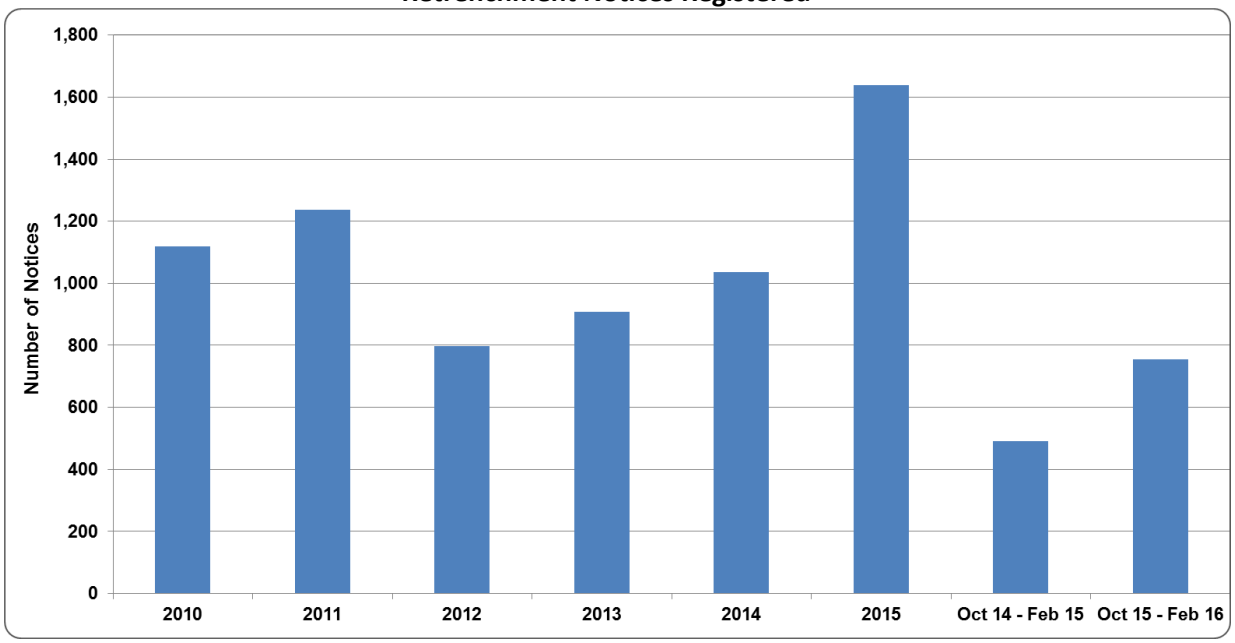
[9] This indicator is constructed using the number of employment vacancies advertised in the principal domestic newspapers.

Table 14
Sectoral Distribution of Employment
(000s Persons)

Sectors	QIII 2014		QIII 2015		Change	
	Employment	Unemployment	Employment	Unemployment	Employment	Unemployment
Agriculture	20.9	0.6	20.4	0.3	-0.5	-0.3
Petroleum & Gas	22.2	1.2	22.5	1.7	0.3	0.5
Manufacturing (including Mining & Quarrying)	49.7	1.3	46.1	1.6	-3.6	0.3
Construction (including Electricity & Water)	106.2	4.9	99.5	6.4	-6.7	1.5
Transport, Storage & Communications	47.7	0.7	46.1	1.2	-1.6	0.5
Other Services	387.4	12.6	383.2	10.8	-4.2	-1.8
Of which:						
Wholesale & Retail	119.1	4.9	121.0	5.2	1.9	0.3
Community, Social & Personal Services	213.9	6.7	204.6	4.1	-9.3	-2.6
Finance, Insurance & Real Estate	54.4	1.0	57.6	1.5	3.2	0.5
Not classified	3.7	0.7	2.3	0.0	-1.4	-0.7
Total	**637.9**	**22.1**	**620.2**	**21.9**	**-17.7**	**-0.2**

Source: Central Statistical Office.

Chart 1
Retrenchment Notices Registered



Source: Ministry of Labour and Small Enterprise Development.

Table 15
Announced Job Cuts in Trinidad and Tobago: September 2015-March 2016

Sector	Company	No. of Employees
Petroleum and Other Mining Industries	Weatherford Trinidad Limited	17
	Trinsulate 2 Caribbean Limited	12
	Trinity Exploration and Production Services Limited	48
	Superior Energy Services Trinidad Limited	10
	Regency Recruitment and Resources for Repsol	15
	Methanex Trinidad Limited	5
	Kenson Operational Services Limited	12
	Bristow Caribbean Limited	13
	BPTT	7
	Industrial Plant Services Limited (IPSL)	75
	Shell Trinidad Limited*	80
		294
Manufacturing	Tissues Limited	10
	Metal Designs and Concept Limited - Mdcum	6
	Caterserve Limited	14
	Crown Packaging Trinidad and Tobago Limited	16
	Brick Force Limited	28
	Alston Building Enterprises Limited	6
	ArcelorMittal	644
	Central Trinidad Steel Limited (Centrin)	200
	TMS International Corporation formerly called Tube City IMS	200
		1124
Finance, Insurance, Real Estate and Business Services	Scotiabank Trinidad and Tobago	35
	RBC Royal Bank Trinidad and Tobago Limited	95
		130
Construction	Construtora OAS	860
		860
Distribution	Anthony P Scott Company Limited	25
		25
Transportation, Storage and Communication	One Caribbean Media (OCM) Group Executive Corporate Services	42
	Columbus Communications Limited	19
		61
Education and Cultural Community Services	University of the Southern Caribbean	37
		37
Personal Services	Goodwood Racing Service	15
	Fair Chance Racing Service 2006	39
		54
TOTAL		**2585**

Source: http://www.newsday.co.tt/news/0,224584.html and other newspaper reports.
* Job cuts to occur after the company ceases operations of its lubricant facility in June 2016.

PART VIII – DOMESTIC PRICES

Domestic price pressures were well contained in the second half of 2015 and early 2016. Headline inflation, as measured by the CSO's Index of Retail Prices (RPI), slowed to 1.5 per cent (year-on-year) in December 2015 compared with 5.6 per cent in July 2015 and 7.5 per cent in January 2015. The slowdown in the second half of 2015 was driven in large measure by the deceleration in food price inflation, as core inflation increased only slightly. In early 2016, there was a marginal up-tick in headline inflation as food price inflation began to resurge. On a year-on-year basis, headline inflation stood at 3.4 per cent in February 2016 (**Chart 2)**.

Core inflation, which excludes food prices, edged slightly upwards in the last three months of 2015 due in part to higher fuel prices in October 2015. After averaging 1.7 per cent during the first nine months of 2015, core inflation rose to 2.4 per cent (year-on-year) by December 2015. Fuel price were adjusted upwards by approximately 15.0 per cent in the fourth quarter of 2015. As a result, the transport sub-index which declined during the third quarter of 2015, increased by 1.0 per cent in October 2015. Higher rates of price increases also occurred within the recreation and culture (7.7 per cent) and the hotels, cafes and restaurants (4.8 per cent) sub-indices in December 2015. In early 2016, core inflation recorded a marginal change, slowing slightly to 2.1 per cent in February 2016.

After decelerating sharply in the latter half of 2015, food price inflation accelerated in early 2016. By December 2015, food inflation was down to single digits at 2.7 per cent (year-on-year) from 11.5 per cent in July 2015 and 14.6 per cent at the start of the year. Food inflation was mainly driven down by declines in the vegetables and the milk, cheese and eggs sub-indices of the RPI and by slower price increases for meat. In 2015, vegetable supply curtailments were lessened, perhaps owing to more favourable weather conditions in 2015 compared with the previous years' heavy rainfall and flooding which resulted in lower supplies to the market. However, by February 2016, food price inflation climbed to 9.4 per cent. Despite the reduction in VAT to 12.5 per cent from 15.0 per cent, the widening of the range of items under the sales tax effective February 1st 2016, may have contributed in part to an increase in food prices.

Meanwhile, international food prices, measured by the Food and Agricultural Organization's (FAO) Food Price Index, continued its more than two year decline (year-on-year) in 2015. In December 2015, the Food Price Index contracted by 17.1 per cent, making this the twelfth consecutive month of double-digit year-on-year declines. Four of the five sub-indices (meat, dairy, oils and cereals) registered double-digit decreases in December 2015 while sugar declined at a much slower pace. The fall-off in the meat sub-index (22.5 per cent) was the most pronounced as ample supplies and

lower demand led to a reduction in international meat prices. The downward trend in international food commodity prices continued into early 2016, with the FAO's Food Price Index falling by 14.5 per cent in February 2016.

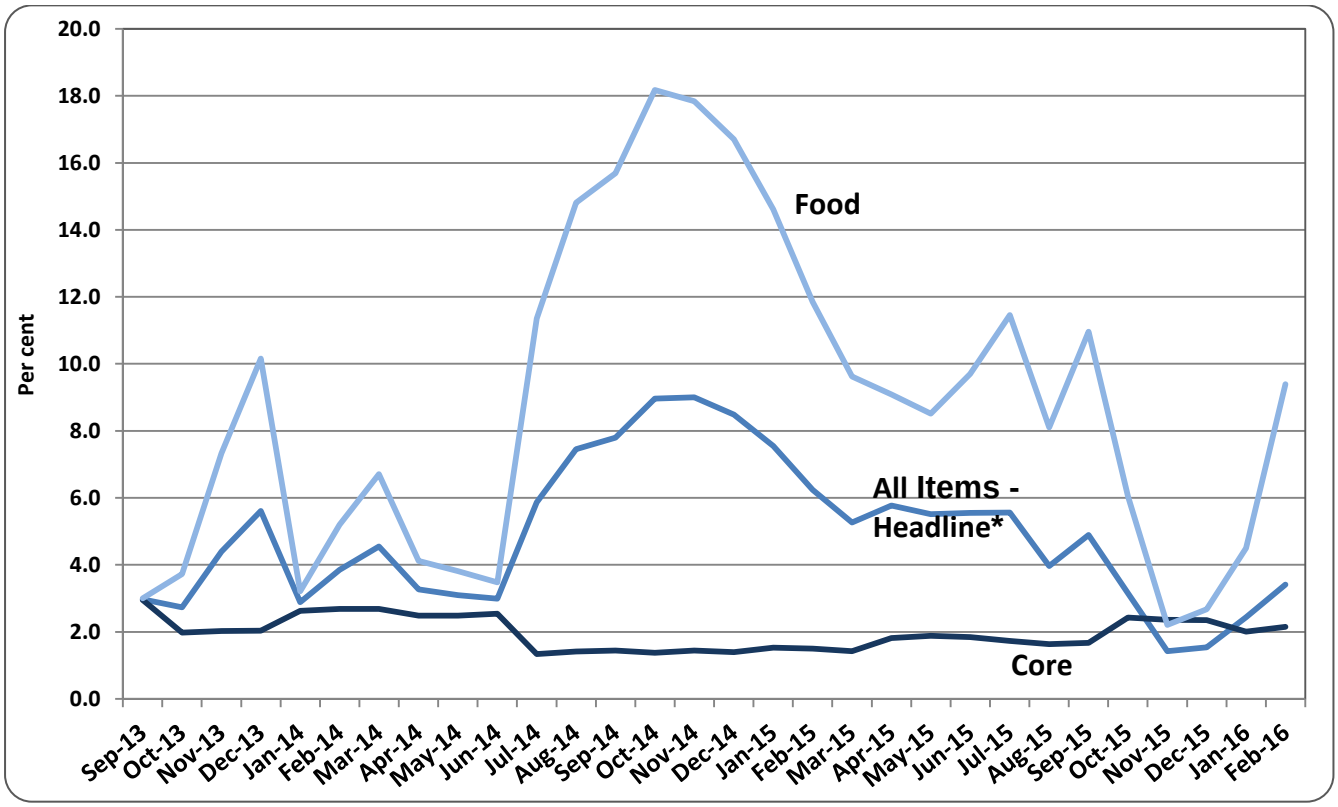
Producers' Prices

After accelerating in the second half of 2015, Producers' prices, as measured by the CSO Producers' Prices Index (PPI), slowed noticeably at the start of 2016. The PPI rose by 0.9 per cent (year-on-year) in the first quarter of 2016 after a 2.9 per cent increase in the previous three-month period and a 2.1 per cent rise in the first quarter of 2015. In the first half of 2015, the PPI increased on average by 2.0 per cent (year-on-year). The slowdown in the first quarter of 2016 was due to slower price movements within the drink and tobacco sub-index, as well as the chemicals and non-metallic sub-index. By the first quarter of 2016, the drink and tobacco index increased 2.4 per cent compared with 9.0 per cent in the previous quarter and 6.7 per cent in the comparative period a year earlier. Similarly, the increase in the chemicals and non-metallic minerals sub-component slowed to 1.5 per cent at the start of 2016, from 2.4 per cent at the end of 2015. At the same time, the printing and paper converters sub-index, as well as the assembly-type and related industries registered small year-on-year declines at the start of 2016.

Building Materials Prices

According to the latest Index of Retail Prices of Building Materials by the CSO, building materials' prices remained contained in the second half of 2015, as prices slowed from the first half of the year. Year-on-year increases of the Index slowed to 3.2 per cent and 3.1 per cent in the third and fourth quarters of 2015, respectively, following increases of more than 5.0 per cent over the first half of the year. In the last quarter of 2015, a slowdown in the sectors more closely related to new projects drove the slowdown across the overall Index. Prices within the site preparation, structure and concrete frame sub-component increased by 0.6 per cent at the end of 2015 compared to average increases of around 5.0 per cent over the first six months of the year. Additionally, the walls and roof sub-index slowed to approximately 5.0 per cent in the last two quarters of 2015 after recording growth of over 7.0 per cent over January to June 2015.

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



Source: The Central Statistical Office of Trinidad and Tobago.

* Data for the period February to March 2015 has 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 (Jan. 15 = 100) with the previously existing series (Jan. 03 = 100), which possessed a different weighting structure.

PART IX - CENTRAL GOVERNMENT FISCAL OPERATIONS

Latest estimates for Central Government operations for the fiscal year (FY) 2014/15 indicated an overall deficit of $7.0 billion (4.2 per cent of GDP), well above the $4.4 billion deficit recorded in the previous fiscal year (2.6 per cent of GDP), and the initial budgeted deficit of $4.3 billion (2.3 per cent of GDP) for the FY 2014/15. The higher deficit was due to lower energy revenues which more than offset the decline in expenditure. Total revenue declined by $3.6 billion to $54.8 billion in FY 2014/15 while total expenditure fell by $1.0 billion to $61.8 billion on account of a fall-off in transfers and subsidies. The non-energy fiscal deficit was lower at $25.4 billion (15.1 per cent of GDP) in FY 2014/15 compared with $32.6 billion (18.7 per cent of GDP) one year earlier. Most recent data suggests no transfers to the Heritage and Stabilization Fund (HSF) in FY 2014/15 **(Table 16)**.

Recent data indicated that the central government incurred a deficit of $1,758.8 million on its fiscal accounts during the first four months of FY 2015/16 (October 2015 – January 2016), compared with a deficit of $1,401.2 million in the corresponding period one year earlier. The higher deficit was due to a fall-off in revenue and was offset by falling expenditure. Total revenue fell to $14,277.3 million from $15,860.4 million in the same period of the previous fiscal year owing to a 72.8 per cent decline in energy revenue. During the first four months of FY 2015/16, WTI crude oil prices averaged US$39.40 per barrel, down from an average of US$66.70 per barrel in the corresponding period one year earlier, while crude oil production slipped to 74,452 barrels per day from 83,172 barrels per day. Similarly, there was a decline in natural gas production which fell to average 3,742 million standard cubic feet (mmscf) per day in the October 2015 – January 2016 period from an average of 3,988 mmscf per day in the same period one year ago. On the other hand, non-energy revenue grew by 21.2 per cent and was driven by higher receipts from taxes on goods and services and non-tax revenue. The growth in collections from goods and services was primarily due to the improvement in net VAT receipts which increased by $765.8 to $2,725.2 million in the period under review. Moreover, the surge in non-tax revenue was mainly attributable to the receipt of $1.5 billion from the Phoenix Park Gas Processors Limited's (PPGPL) Initial Public Offering (IPO).

Central Government expenditure contracted by $1,225.4 million in the first four months of FY 2015/16 primarily on account of a fall-off in spending on capital projects. Spending on capital projects tapered to $855.0 million for the first four months of the FY 2015/16 due to the streamlining of expenditure under the Public Sector Investment Programme (PSIP). Further, spending for goods and services decreased by $499.2 million to $1,621.8 million. Similarly, spending on transfers and subsidies declined marginally by $219.9 million in October 2015 – January 2016 due in part to lower petroleum subsidy payments, which fell by roughly $600 million to $150.2 million for

the first four months of the FY 2015/16. In contrast, the decline in transfers and subsidies was offset by a substantial increase in the Senior Citizens' Grant by $386.8 million to $1,366.3 million, owing to the payment of arrears. Further plans for expenditure cuts were announced on December 29 2015. The government indicated that expenditure would be reduced by 7 per cent in all ministries, state enterprises, statutory bodies and the Tobago House of Assembly. Furthermore, pending legislative amendments, increases to the personal allowance and the Business and Green Fund Levies became effective from January 2016, while reform of the VAT regime, which entailed a reduction of the VAT rate to 12.5 per cent and widening of the VAT base, was operationalized on February 1, 2016 **(see Boxes 3 and 4)**. In addition, it was also stated that legislation would be brought to Parliament by June 2016 in order to separate the HSF into two components - the heritage component (long-term savings) and the stabilization component (intended to insulate the fiscal accounts from adverse swings in revenue). Subject to legislative changes, approximately US$1.0 billion is to be withdrawn from the HSF for use in FY 2015/16 and possibly another US$0.5 billion in the following fiscal year.

Table 16
Summary of Central Government Fiscal Operations
/TT$ Millions/

	Oct.-15 - Jan.- 16	Oct.-14 - Jan.- 15	2014/2015[re]	2013/2014	2015/2016[b]
TOTAL REVENUE	**14,277.3**	**15,860.4**	**54,778.5**	**58,378.7**	**60,286.4**
Current Revenue	13,315.7	15,756.3	49,813.5	57,062.2	50,708.5
Energy Revenue	1,676.1	6,151.1	18,336.3	28,111.2	10,161.4
Non-Energy Revenue	11,639.7	9,605.2	31,477.2	28,951.0	40,547.1
Income	4,034.4	3,542.3	12,800.3	11,253.5	15,890.0
Property	1.0	1.2	3.3	3.5	203.0
Goods & Services	3,378.9	2,588.7	8,654.9	7,575.8	14,589.1
International Trade	1,145.2	930.7	2,805.6	2,861.5	2,847.8
Non-Tax Revenue	3,080.1	2,542.4	7,212.2	7,256.7	7,017.2
Capital Revenue	961.5	104.0	4,965.0	1,316.5	9,577.9
TOTAL EXPENDITURE	**16,036.1**	**17,261.5**	**61,792.2**	**62,820.9**	**63,048.7**
Current Expenditure	15,181.1	15,685.0	53,431.9	54,386.3	56,048.7
Wages and Salaries	3,006.3	2,862.5	10,366.4	8,590.8	13,210.6
Goods and Services	1,621.8	2,121.0	8,671.3	8,008.3	8,411.0
Interest Payments	856.2	784.6	2,954.7	3,122.6	3,129.2
Transfers and Subsidies[1]	9,696.9	9,916.8	31,439.5	34,664.1	31,297.9
Capital Expenditure and Net Lending[2]	855.0	1,576.5	8,360.3	8,434.6	7,000.0
Current Account Surplus (+)/Deficit (-)	**-1,865.4**	**71.4**	**-3,618.4**	**2,675.9**	**-5,340.2**
Current Account Surplus /Deficit (% of GDP)[3]	-3.2	0.1	-2.2	1.5	-3.0
Overall Surplus (+)/Deficit (-)	**-1,758.8**	**-1,401.2**	**-7,013.7**	**-4,442.2**	**-2,762.3**
Overall Surplus /Deficit (% of GDP)[3]	-3.0	-2.5	-4.2	-2.6	-1.5
Financing	**1,758.8**	**1,401.2**	**7,013.7**	**4,442.2**	**2,762.3**
Foreign Financing	-188.0	5.5	20.3	3,312.4	1,166.5
Domestic Financing	1,947.7	1,395.6	6,993.4	1,129.8	1,595.8
Memo items:					
Non-Energy Fiscal Deficit	-3,434.9	-7,552.3	-25,350.0	-32,553.4	-12,923.7
Non-energy Fiscal Deficit (% of GDP)[3]	-5.9	-13.5	-15.1	-18.7	-7.2
Transfers to the HSF	0.0	0.0	0.0	0.0	0.0
Nominal GDP (Fiscal Year)	175,991.4	167,653.8	167,653.8	173,660.5	179,559.8

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.

3 Fiscal flows have been annualized for the computation of ratios for the month of October.

re Revised Estimates

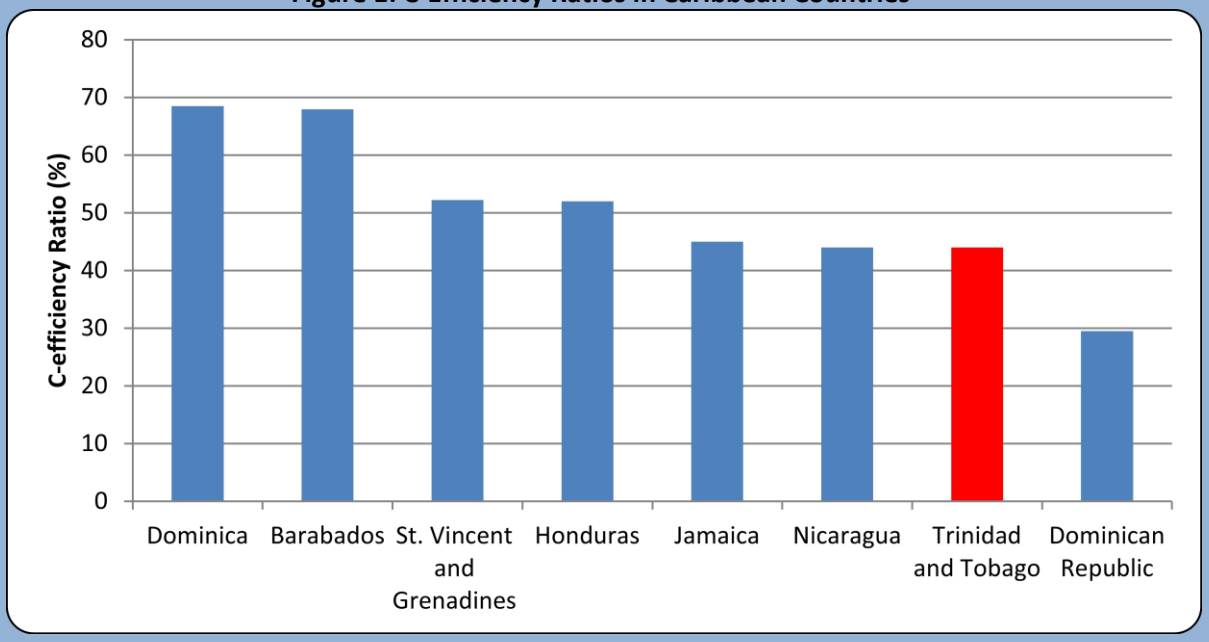
b Budgeted.

Box 3: Amendment of the Value Added Tax (VAT) Regime

Amendments to Schedule II of the Value Added Tax (VAT) Act 75:06 were made with the passage of the Finance Bill on January 12, 2016. The VAT registration threshold was increased to $500,000 from $360,000, exempting approximately 1,300 businesses from paying VAT. The VAT rate was reduced to 12.5 per cent from 15 per cent on all items, with the exception of petroleum products, to take effect from February 1 2016. While basic household items including rice (parboiled and brown), brown sugar, flour (all-purpose and wheat), margarine, toilet paper, bread (white and whole wheat) and some types of milk remain zero-rated[2], thousands of items have been moved to the standard rating[3]. Goods that are no longer on the zero-rated list include butter (fresh and salted), table salt, coffee, cocoa powder and mineral and ordinary natural water. This measure, coupled with increased enforcement and compliance is expected to increase revenue from VAT by $4 billion in FY 2015/16.

The VAT system was implemented in 1990 and was geared towards increasing non-energy revenues in the midst of an economic downturn. VAT collections now represent a major source of Central Government's revenue. In fact, VAT receipts increased from $926.6 million in 1990 to $6.7 billion in fiscal year 2014/15. Despite this increase, the efficiency of the VAT system has been limited by the rise in exemptions and zero-rated goods and services since its implementation. The C-efficiency ratio[1] which implicitly compares the revenue that the VAT actually raises with that which would be raised if it were perfectly enforced and levied at a uniform rate, equal to the standard rate, on all consumption and with no exemptions, averaged around 44 per cent during the period 2008 to 2012 (Figure 1). This was significantly lower than other CARICOM countries. As a consequence, the Central Government proposed the aforementioned measures in the 2015/16 Budget to improve the efficiency of VAT collections.

Figure 1: C-Efficiency Ratios in Caribbean Countries[1]



Source: The International Monetary Fund (IMF), 2015.

The amended VAT regime was expected to impact inflation due to an expansion in the range of goods on which VAT is to be applied, with headline and food inflation estimated to face a one-time upward price displacement of 0.7 per cent and 4.4 per cent, respectively. Based on actual data for February 2016, headline and food inflation increased to 3.4 per cent and 9.4 per cent, respectively; this increase was almost in line with expectations, following rates of 2.4 per cent (headline inflation) and 4.5 per cent (food inflation) in the previous month. A closer examination of price movements showed price increases in newly vatable items such as salt, juice and carbonated drinks, cereals and biscuits.

[1]The calculated c-efficiency ratios are the average between 2008 and 2013 for Barbados, Jamaica, and Dominican Republic, and the average between 2008 and 2012 for other countries.

[2] See full list of zero-rated items http://www.finance.gov.tt/wp-content/uploads/2016/01/VAT-ACT-Zero-Rated-Items.pdf.

[3] See full list of items to become standard rated http://www.finance.gov.tt/wpcontent/uploads/2016/01/VAT-ACT_Standard-Rated-Items.pdf.

BOX 4: Fiscal Measures in the 2015/16 Budget

On Monday 5th, October 2015, the Minister of Finance presented the National Budget for the fiscal year 2015/16 in Parliament. The fiscal measures from the Budget are detailed below:

A. Direct Taxation

(1) Increase in Personal Allowance from $60,000 to $72,000 for persons below the age of 60, effective January 1 2016[1]. Personal allowance for persons above the age of 60 was increased to $72,000 in 2015.

(2) Increase in the cap on joint income as it regards national insurance and old age pensions by $500 to $5,000 with effect from December 1, 2015.

(3) Increase in the earnings class limits of the National Insurance Scheme by 13.5 per cent with the highest earnings class rising from $12,000 to $13,600 per month as well as raising the contributions to 13.2 per cent from 12 per cent. Based on the highest NIS contribution, employees' share will increase to $138.13 from $110.80. These increases will take effect on July 4, 2016.

(4) Increase in the Business Levy to 0.6 per cent from 0.2 per cent with effect from January 1, 2016. Additionally, the Green Fund Levy will also rise to 0.3 per cent from 0.1 per cent.

B. Indirect Taxation

(1) Effective January 1, 2016, the adjustment in the standard rate of VAT to 12.5 per cent from 15 per cent[2]. Certain items will be removed from the zero-rated list and become standard rated items.

(2) The VAT registration threshold to be increased to $500,000 from $360,000, effective January 1, 2016 and initiatives to improve collection and compliance will be strengthened.

(3) The Land and Buildings Tax to be re-implemented using the old rates and prior valuations on February 1, 2016.

(4) Effective October 5, 2015, an increase in the price of diesel from $1.50 to $1.72 and an increase in the price of super from $2.70 to $3.11.

(5) Effective January 1, 2016, the elimination of duties and taxes on inputs into the agricultural sector.

C. Expenditure Measures

(1) Investment of $15 million to support capacity building and technical aspects of trade unions.

(2) Increase in the stipends paid to on-the-job trainees (OJT) by 20 per cent from January 1, 2016.

(3) Investment of $20 million for the support and development of the technical and operational aspects of Public Private Partnerships (PPP) arrangements.

(4) Investment of $55 million in a Graduate Recruitment Programme.

D. Tax Administration

(1) The implementation of a new tax administration body - the Trinidad and Tobago Revenue Authority.

(2) A General Accounting Office to be established to maintain a continuous real-time, assessment of actual budget performance identifying in the process, divergences which require public attention.

[1] The increase of the personal allowance for individuals, the Business and Green Fund Levies and the implementation of the Property Tax are to be effective from January 1 2016. However, these increases require legislative amendments.

[2] With the passage of the Finance Bill in January 2016, the effective date of the new VAT regime was changed to February 1 2016.

PART X- PUBLIC SECTOR DEBT

Total public sector debt is estimated to have declined during the first quarter of FY2015/16. Preliminary data from the Ministry of Finance indicated that the debt stock fell to $107.5 billion equivalent to 61.1 per cent of GDP. Excluding debt issued for sterilization purposes, total public sector debt outstanding amounted to 42.5 per cent of GDP **(Table 17)**.

Central Government's domestic debt excluding sterilized securities and contingent liabilities is estimated to have fallen by 1.7 per cent. This was largely due to the repayment of CLICO zero-coupon bonds of $476.7 million in November 2015. Moreover, Treasury Bills declined by $6.4 billion on account of the maturation of bills which were issued in October 2014 to sterilize the proceeds of a state asset. Furthermore, contingent debt is projected to fall by 2.1 per cent to $30.5 billion, as a result of no new borrowings during the period under review.

External debt is estimated to have declined to $13.2 billion, primarily due to the amortization of existing loans. While there were several disbursements from the Inter-American Development Bank (IDB) including US$1.8 million from the E-Government Knowledge and Brokering Programme and US$1.6 million from the Seamless Education System Program, these were far outweighed by debt service payments. Meanwhile, the majority of principal repayments were paid to the BNP Paribas and the ANZ Banking Group Limited of US$5.2 million and US$4.3 million respectively. Interest payments were largely made to bondholders, in particular US$4.4 million to Citibank N.Y. However, external debt is expected to increase in the upcoming months of FY2015/16 given disbursements from existing loans such as the Strengthened Information Management Project at the Registrar General's Department, the Flood Alleviation and Drainage Program for Port of Spain and the Global Services Program. Additionally, the increase in the statutory borrowing limits will facilitate new borrowings from the Central Government for several projects including the strengthening of the Single Electronic Window for Trade and Business Facilitation and support to strengthen Trinidad and Tobago's Public Financial Management System **(see Box 5)**.

Table 17
Public Sector Debt Outstanding
(TT$ Millions)

	Sep-15	Dec-15[e]
TOTAL PUBLIC DEBT	**114,676.9**	**107,491.9**
CENTRAL GOV'T DOMESTIC DEBT	**70,251.3**	**63,787.8**
Bonds and Notes	34,971.9	34,460.9
Of which:		
General Development Bonds^	11,966.2	11,927.3
CLICO fixed-rate Bonds	14,193.8	14,193.8
CLICO zero-coupon Bonds	4,090.1	3,607.3
HCU zero-coupon bonds	311.8	322.5
Liquidity Absorption Bonds	1,840.0	1,840.0
Treasury Bonds	2,559.3	2,559.3
Other [1]	10.7	10.7
Treasury Bills	25,038.2	18,604.9
Treasury Notes	9,197.5	9,697.5
Debt Management Bills	800.0	800.0
BOLTS	243.7	224.5
CENTRAL GOVERNMENT EXTERNAL DEBT	**13,268.7**	**13,199.8**
CONTINGENT DEBT	**31,156.9**	**30,504.3**
Statutory Authorities	11,537.0	11,341.8
State Enterprises	19,619.8	19,162.4
	Per cent of GDP	
Total Public Debt	68.4	61.1
Total Public Debt (excl. sterilized debt)*	45.4	42.5
Central Government Domestic Debt (excl. sterilized debt)*	18.9	17.7
External Debt	7.9	7.5
Contingent Liabilities	18.6	17.3
Memo:		
Nominal GDP (Fiscal Year)[2]	167,653.8	175,991.4**

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

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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).

* Excludes all debt issued for sterilization purposes such as: Treasury Bills (OMOs), Treasury Notes, Treasury Bonds and Liquidity Absorption Bonds.

** Sourced from the Ministry of Finance and converted into fiscal year.

BOX 5: Changes in the Statutory Borrowing Limits

In Trinidad and Tobago, statutory borrowing Acts facilitate Central Government financing for different purposes including the general development of Trinidad and Tobago and the promotion of monetary, credit and exchange rate conditions most favorable to the domestic economy. Borrowing limits are specified for these acts which represent the ceiling on the cumulative amount of borrowing that can be undertaken under the Act.

In December 2015, Parliament approved increases to the legal borrowing limits of the Development Loans Act Chapter 71:04, the External Loans Act Chap 71:05 and the Guarantee of Loans (Companies) Act Chapter 71:82 (Table 1A). The limits on the Development Loans Act Chapter 71:04 and External Loans Act Chap 71:05 were increased from $30 billion to $45 billion and from $15 billion to $30 billion, respectively, to enhance the Central Government's capacity to meet its annual borrowing requirements over the medium-term. The Guarantee of Loans (Companies) Act Chapter 71:82 was increased from $25 billion to $45 billion to facilitate the conversion of existing Letters of Comfort into Government Guarantees as well as to accommodate planned borrowings by State Enterprises over the medium-term. These Acts were last amended in September 2011 when Parliament approved increases to the statutory borrowing limits of the Development Loans Act Chapter 71:04 from $20 billion to $30 billion, the External Loans Act Chap 71:05 from $9 billion to $15 billion and the Guarantee of Loans (Companies) Act Chapter 71:82 from $9 billion to $25 billion.

TABLE 1A

Borrowing Act	Purpose of Borrowing	Balance Outstanding (Sep 2015)	Borrowing Limit (Sep 2015)	New Borrowing Limit (Dec 2015)
External Loans Act, Chap. 71:05	To finance general development in Trinidad and Tobago or repay borrowings effected for such development.	9,073.3	15,000.0	30,000.0
Development Loans Act, Chap 71:04	To finance general development in Trinidad and Tobago or repay borrowings effected for such development.	27,997.4	30,000.0	45,000.0
Treasury Notes Act, 1995 (5yr Maturity)	To promote monetary credit and exchange conditions most favorable to the economy of Trinidad and Tobago.	9,197.5	15,000.0	15,000.0
Treasury Bills Act, Chap 71:40 *	To facilitate the conduct of Open Market Operations by the Central Bank of Trinidad and Tobago.	25,838.2	30,000.0	30,000.0
Treasury Bonds Act (5.5 - 10yr Maturity)	To facilitate liquidity management and to supplement existing instruments for Open Market Operations.	2,559.2	No Limit	No Limit
Purchase of Certain Rights and Validation Act 17, 2011 (CLICO)	To finance the purchase of payments to rights from CLICO and BAT policyholders whose principal balances exceed $75,000.	4,090.1	10,700.0	10,700.0
Purchase of Certain Rights and Validation Act 17, 2011 (HCU)	To finance the purchase of payments to rights from HCU policyholders whose principal balances exceed $75,000.	329.5	400.0	400.0
Guarantee of Loans (Companies) Act, Chap. 71:82	To guarantee the discharge by a Company of its obligations under any agreement which may be entered into by the Company by a Lending Agency in respect of any borrowing by that Company that is authorized by the Government of Trinidad and Tobago.	19,619.8	25,000.0	45,000.0
Guarantee of Loans (Statutory Authorities) Act, Chap. 71:81	To provide for the guarantee by the Government of Trinidad and Tobago of loans to the Statutory Authorities by Lending Agencies.	11,537.0	No Limit	No Limit
CDB Act 39, 1969, Chap. 79:05	An Act to provide for the implementation by the Government of an Agreement for the establishment and operation of the Caribbean Development Bank, and for purposes connected therewith.	298.6	No Limit	No Limit
IBRD Act 2, 1967, Chap. 7:06	For raising of loans from the International Bank for Reconstruction and Development by the Government of Trinidad and Tobago for the purpose of financing development projects in Trinidad and Tobago and for purposes therewith.	53.9	No Limit	No Limit
IADB Act 32, 1967, Chap. 71:07	For raising or guaranteeing loans from the Inter-American Development Bank by the Government of Trinidad and Tobago for the purpose of financing development projects in Trinidad and Tobago and for matters incidental thereto.	3,842.9	No Limit	No Limit

PART XI - MONEY, CREDIT AND INTEREST RATES

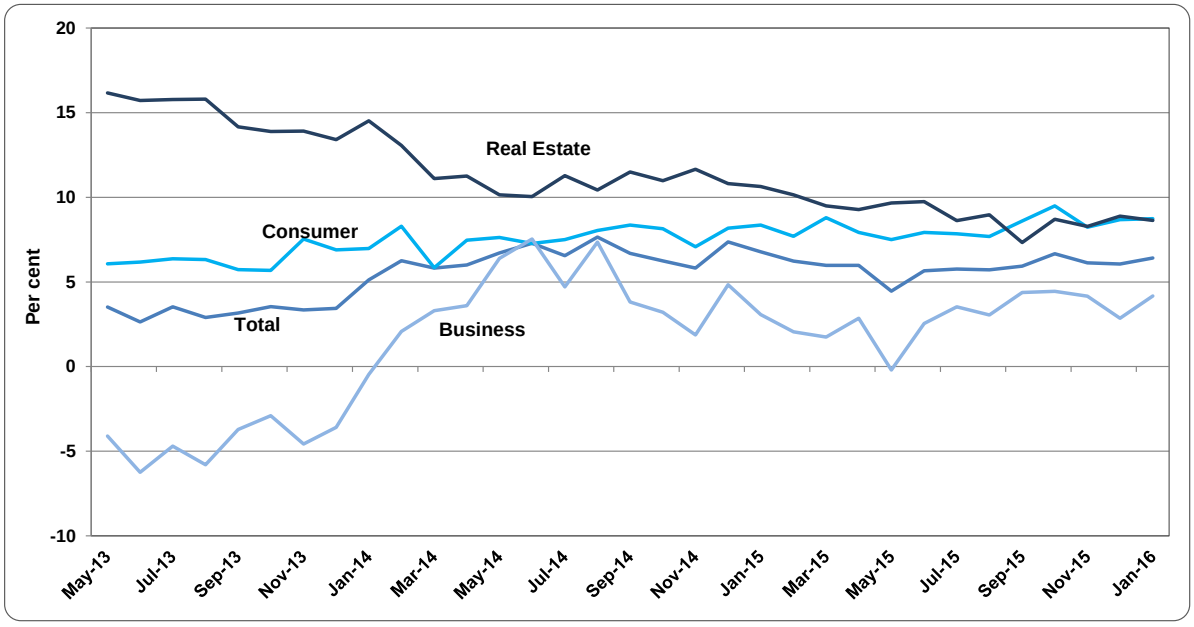
Following successive increases the Repo rate in the second half of 2015, the Central Bank kept the rate unchanged in the first three months of 2016. The Bank's main policy tool, the Repo rate, was increased on three consecutive occasions by 25 basis points in July, September and December 2015. By the end of December 2015, the Repo rate stood at 4.75 per cent. In the second half of 2015, one of the major factors influencing the Bank's decisions was the imminent normalization of monetary policy in the US. The first step in this process began in the final month of 2015, as the US Federal Reserve (Fed) announced an increase in the target range for the federal funds rate from 0.0 – 0.25 per cent to 0.25 – 0.50 per cent on December 16th 2015. However, with signs that domestic economic conditions were becoming increasingly weaker and with inflationary pressures contained, the Central Bank's Monetary Policy Committee decided to keep policy rates unchanged at consecutive meetings in January and March 2016. Nevertheless, following successive Repo rate increases in the second half of 2015, commercial banks' median prime lending rate rose to 9.00 per cent in March 2016 from 8.13 per cent in June 2015. In spite of this, over the period July 2015 to January 2016, lending by the consolidated financial system exhibited healthy growth. Credit to the private sector increased by 6.4 per cent (year-on-year) in January 2016, compared with 5.8 per cent in July 2015. Commercial bank lending growth maintained a positive trajectory, rising by 6.6 per cent in January 2016 compared with 5.8 per cent six months prior. Lending by the non-bank financial institutions grew by 4.8 per cent in January 2016 compared with 5.5 per cent in July 2015.

Despite economic uncertainty, credit to businesses and consumers accelerated over the six-month period to January 2016. Lending to businesses rose by 4.2 per cent in January 2016, compared with an increase of 3.5 per cent in July 2015. The sectoral decomposition of business lending by commercial banks as at December 2015, revealed relatively healthy loan growth to the Manufacturing (18.3 per cent), Construction (5.2 per cent) and Distribution (4.2 per cent) sub-sectors. On the other hand, declining loan balances were recorded for the Other Services (-15.8 per cent) and Finance, Insurance and Real Estate (-9.6 per cent) sectors. Consumer credit continued its robust growth over the period, expanding by 8.7 per cent in January 2016 compared to 7.8 per cent in July. Loans for motor vehicles (14.3 per cent), home improvement/renovation loans (7.6 per cent) and loans for other purposes including credit card loans (8.3 per cent) continued to expand robustly **(Chart 3)**.

On the other hand, real estate mortgage lending experienced some slowdown even though mortgage rates remained at historic lows **(See Box 6)**. After experiencing double digit year-on-year

increases in 2013 and 2014, the growth in real estate mortgage loans slowed to 8.6 per cent in July 2015. In January 2016, the rate of expansion in real estate mortgages also measured 8.6 per cent.

Chart 3
Private Sector Credit by the Consolidated Financial System
(Year-on-Year Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

After decelerating over the six-month period to July 2015, the growth rates of the main monetary aggregates slowed even further over the last six months to January 2016. M1-A, comprised of currency in active circulation and demand deposits, declined by 2.9 per cent (year-on-year) in January 2016, down from growth of 4.4 per cent in July, mainly as a result of a significant reduction in demand deposits (-5.1 per cent). The growth in M-2 slowed to 1.5 per cent, compared with an increase of 6.6 per cent in July, as the decline in demand deposits was offset by growth of savings (6.9 per cent) and time (5.8 per cent) deposits. Local currency deposits grew marginally over the period, however commercial banks' foreign currency deposits decreased by 0.5 per cent on a year-on-year basis to January 2016.

Liquidity levels in the financial system continued to moderate throughout the second half of 2015. Liquidity, as measured by commercial banks' holdings of reserves at the Central Bank in excess of the statutory requirement, averaged $3.1 billion daily over July – December 2015 compared with $3.7 billion daily over the first half of 2015 **(Chart 4)**. Net domestic fiscal injections, typically the major

source of liquidity in the domestic economy, amounted to $6.5 billion for the period – slightly lower than injections of $6.7 billion over the first half of 2015. Over the period July to September 2015, the Bank withdrew roughly $771 million via net open market operations. However, with a record US$500 million foreign exchange intervention and the payment of the proceeds from the TTNGL IPO to the Government both occurring in the last week of October 2015, the Bank allowed net open market maturities of $5.6 billion and a $2.0 billion commercial bank fixed deposit to mature without reissue, so as to ensure liquidity levels did not become overly tight. Further in December 2015, the Bank allowed another commercial bank fixed deposit valued at $1.5 billion to mature. Over the period July – December 2015, there were net open market operations maturities of roughly $5.2 billion.

There has been some easing in liquidity conditions in early 2016. Between January and March 2016, excess liquidity increased to an average of $3.8 billion daily from $3.1 billion in the previous six-month period (July – December 2015). Net domestic fiscal injections amounted to $1.9 billion over the first three months of 2016, while the Central Bank withdrew $1.4 billion from the financial system via net open market operations over the reference period. Meanwhile, though not a liquidity absorption measure, foreign exchange interventions also indirectly withdrew $2.1 billion between January and March 2016 – significantly lower than the $4.5 billion withdrawn in the same period of 2015.

The moderation of excess liquidity levels in 2015 saw the re-emergence of the interbank activity. After averaging $76.2 million daily over the first half of 2015 at an average rate of 0.25 per cent, interbank activity intensified to a daily average of $171.5 million at an average rate of 0.90 per cent in the subsequent six months. The Central Bank's repurchase agreement facility was also accessed over nine trading days throughout July - December 2015, at an average level of $218.2 million, compared to just one trading day in the first half of the year. The less restrictive excess liquidity conditions at the beginning of 2016 meant that the daily average volume of interbank activity decreased to $22.4 million between January and March 2016, whereas the average rate decreased to 0.67 per cent. Commercial banks did not access the Bank's repurchase agreement facility between January and March 2016.

Chart 4
Commercial Banks' Excess Reserves

Source: Central Bank of Trinidad and Tobago.

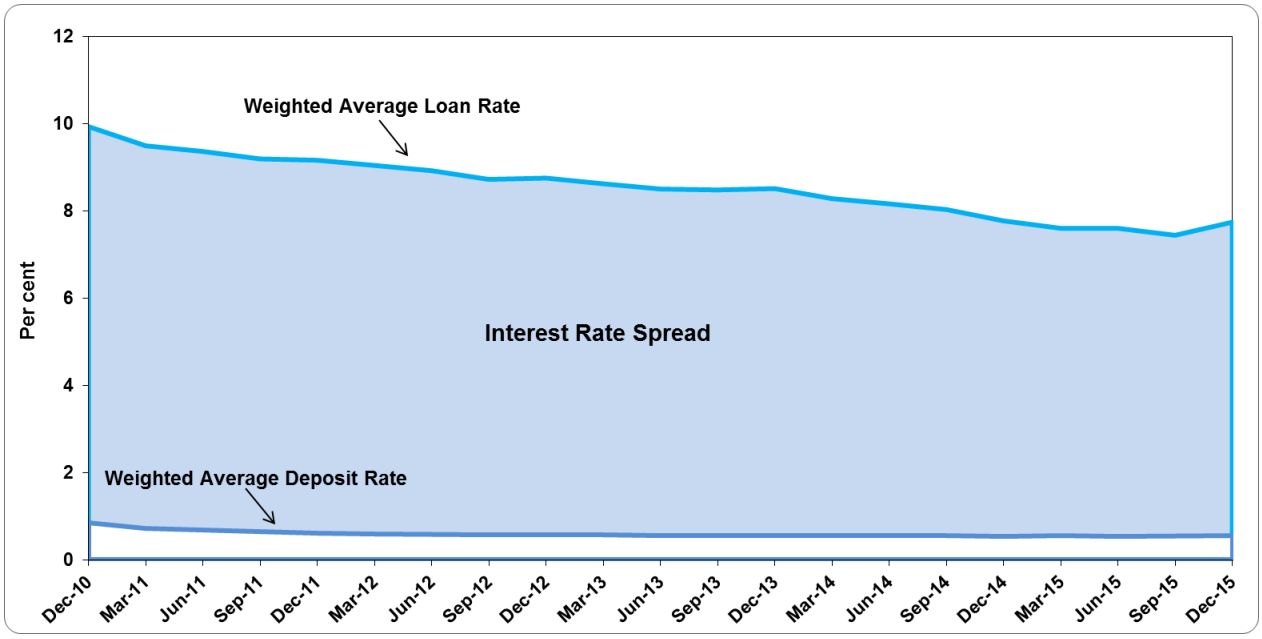
The generally tighter liquidity conditions drove short-term interest rates upward over the second half of 2015. The rate on the 91-day OMO Treasury bill increased by 30 basis points from June 2015 to reach 1.00 per cent in December, while the rate on the 182-day OMO TT-Treasury bill rose 60 basis points to reach 1.45 per cent over the same period. With both the TT and US 91 day Treasury bill rates increasing over the review period, the differential stood at 84 basis points in December 2015 compared with 69 basis points in June 2015.

Short term rates continued to increase in 2016. By March 2016 the rate on the 91-day OMO Treasury bill reached 1.20 per cent, up 20 basis points from its level in December. The rate on the 182-day OMO Treasury bill increased 25 basis points over its December level to reach 1.75 per cent at the end ofMarch 2016. These movements in the TT 91-day OMO Treasury bill rate, off-set the increases in the US 91-day Treasury bill rate, and as such the TT-US 91-day interest rate differential increased by fifteen basis points over its December 2015 level to reach 99 basis points at the end of March 2016.

Following the increases in commercial banks' prime lending rate and short-term market rates, commercial banks' weighted average lending rate increased in the second half of 2015. Commercial banks' weighted average lending rate increased to 7.74 per cent in December 2015 from 7.60 per cent in June. The weighted average deposit rate increased by one basis point to 0.56 per cent over the period, as it continued to display the stickiness that has characterised rate movements

over the last three years. As a result, the banking spread increased 12 basis points to 7.18 per cent in December from June 2015 (Chart 5).

Chart 5
Commercial Bank Weighted Loan and Deposit Rates



Source: Central Bank of Trinidad and Tobago.

Developments in the Foreign Exchange Market

Foreign exchange conditions remained tight in the second half of 2015. Purchases of foreign exchange from the public by authorized dealers declined by 11.4 per cent to reach US$2.4 billion over July – December 2015, when compared with the same period in 2014. Over the period July - December 2015, energy sector conversions amounted to 71.1 per cent of purchases by the authorized dealers recorded over US$20,000. This represented a decrease of 3.9 per cent in the share of overall supply of foreign exchange coming from energy sector conversions relative to the same period in 2014.

On the other hand, sales of foreign exchange to the public increased by 3.4 per cent to reach US$3.7 billion over July – December 2015 when compared with the same period in 2014. A sectoral breakdown of foreign exchange sales by authorized dealers of over US$20,000 showed that the Retail and Distribution sector accounted for 32.6 per cent of foreign exchange sales. Credit Cards (15.3 per cent), Manufacturing (14.4 per cent) and Automobile Companies (8.2 per cent) made up the bulk of the remainder of foreign exchange sales over US$20,000 during the period. As a

result, over July – December 2015 dealers' net sales position rose by 47.9 per cent when compared to the same period one year ago to reach US$1.3 billion. The Central Bank continued to support the market, completely off-setting the net sales position, by selling just under US$1.5 billion to authorized dealers during July – December 2015 (Table 18). The weighted average TT$/US$ selling rate depreciated slightly to TT$6.4342/US$1 in December 2015, from TT$6.3839/US$1 in December 2014.

The domestic foreign exchange market remained in a net sales position in early 2016. Over January to March 2016, purchases of foreign exchange by authorized dealers from the public amounted to US$1,178.6 million, an 11.5 per cent decline relative to the same period in 2015. Purchases from the energy sector accounted for 74.3 per cent of total purchases recorded over US$20,000 from the public in early 2016. Meanwhile, sales of foreign exchange by authorized dealers to the public amounted to US$1,346.5 million, 30.6 per cent lower relative to the same period in 2015. Accounting for the larger shares of total sales by authorized dealers over US$20,000, were the Retail and Distribution (32.0 per cent) and Manufacturing (12.9 per cent) sectors, while credit cards centres also made up 19.6 per cent of sales. Over the first three months of 2016, the net sales position (US$167.9 million) of authorised dealers declined by 72.4 per cent relative to the same period a year earlier. To support the market, Central Bank interventions amounted to US$330 million over the first three months of 2016. Given the inherent tightness in the market, the TT dollar weakened relative to the US dollar by 2.5 per cent over the first three months of the year. The weighted average TT$/US$ selling rate fell to TT$6.5944/US$1 in March 2016 from TT$6.4342/US$1 in December 2015.

Table 18
Authorised 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	2,594.9
Jan to Mar 2015	1,332.4	1,940.5	608.1	709.9
Jan to Mar 2016	1,178.6	1,346.5	167.9	330.0

Source: Central Bank of Trinidad and Tobago.

BOX 6: The Mortgage Market Reference Rate and Residential Mortgage Market

After consultations with the Bankers' Association of Trinidad and Tobago, the Central Bank of Trinidad and Tobago introduced the "Residential Real Estate Mortgage Market Guideline" on September 14, 2011. The main objective of the Guideline is to improve the disclosure and transparency in the local residential mortgage market. The scope of the Guideline covers all new and existing residential real estate mortgages granted by licensees[1]. The Guideline contains two important features: 1) the requirement for licensees to provide a **"Disclosure Statement"** to customers; and 2) the introduction of a **"Mortgage Market Reference Rate"**.

The Mortgage Market Reference Rate (MMRR) is an interest rate benchmark against which mortgages are to be priced and re-priced. The MMRR is computed by the Central Bank based on information on commercial banks' funding costs and yields on applicable treasury bonds. The MMRR is announced by the Central Bank quarterly. Customers' mortgage rate will equal the MMRR plus a spread and the MMRR should follow a similar trend to interest rates in the economy **(Chart 1)**.

The main purpose of the MMRR is to improve the transparency surrounding changes to mortgage interest rates. The introduction of the MMRR is intended to benefit the customer by making her/him more aware of when, why and how mortgage rates can change.
If the MMRR moves up or down the customer can generally anticipate that her/his mortgage rate will move up or down in a similar though not exact magnitude with the MMRR[2]. Since the introduction of the MMRR in December 2011, mortgage rates have generally moved in the same direction as changes in the MMRR **(Chart 2)**.

Other key extracts from the Guideline regarding the MMRR and the mortgage rate include:

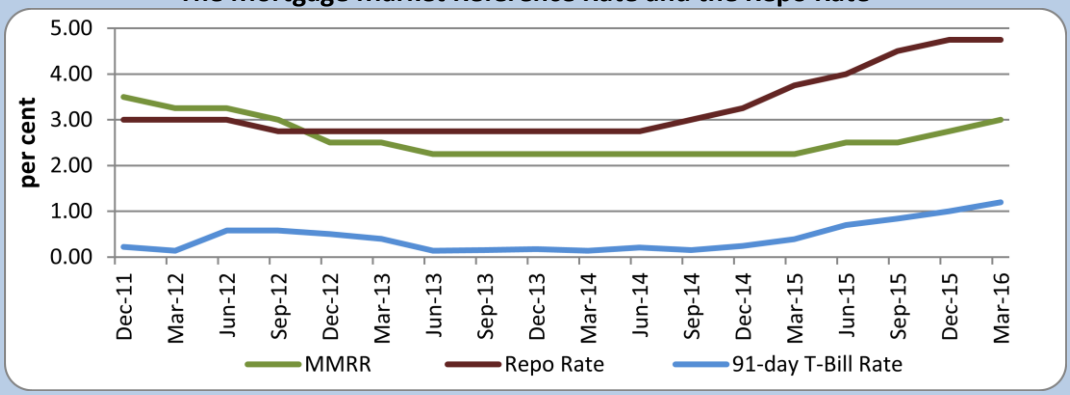
- Adjustable- and variable-rate residential mortgages may be re-priced by licensees no more than once every twelve (12) months on the anniversary date of the mortgages.
- Over any three-year (3) period, the residential mortgage rate could increase by a maximum of 350 basis points or by the increase in the Central Bank's 'Repo' rate, whichever is larger.
- For variable- and adjustable-rate mortgages, licensees are required to re-price when the current MMRR is lower than that on which the last re-pricing was based. On the other hand, *licensees may choose not to re-price residential mortgage rates against the MMRR if the current mortgage market reference rate is higher than the corresponding rate at the time of the last re-pricing*.

The recent movements in the MMRR have reflected the increase in domestic interest rates. After holding its policy rate at a record low for almost two years, in September 2014 the Central Bank began to transition from a highly accommodative monetary policy stance. The Bank continued its interest rate adjustment cycle for the remainder of 2014 and into 2015, taking the Repo rate up to 4.75 per cent by December 2015 from 2.75 per cent at the beginning of September 2014. The signals provided by the adjustments to the Bank's Repo rate as well as tightening liquidity conditions resulted in an uptick in domestic interest rates. For example, the 15-year Treasury yield increased to 4.43 per cent in December 2015 from around 3.50 per cent in December 2014. As such, the MMRR for March 2016, which is based on rates at the end of 2015, was calculated at 3.00 per cent – up from 2.75 per cent in December 2015 and 2.25 per cent in December 2014.

[1] Licensees include the commercial banks and their affiliated non-bank financial institutions that grant residential mortgages.
[2] Granted that the mortgage is not a fixed rate mortgage or within the fixed rate period of an adjustable rate mortgage and that the mortgage rate is not at the interest rate ceiling (cap) or floor.

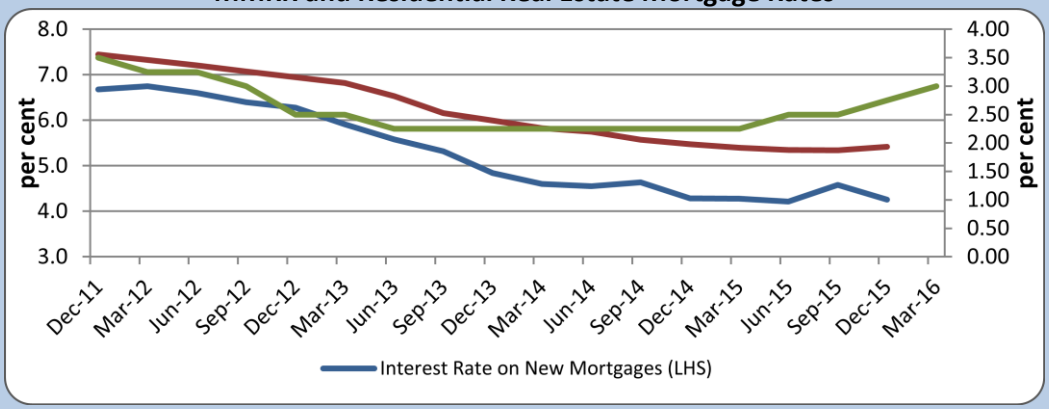
Supported by record low mortgage rates, real estate mortgage loans have grown robustly over the past few years. In 2015, real estate mortgage loans expanded by 8.9 per cent, however, this was slower than the growth rates of 10.8 per cent and 13.4 per cent recorded in 2014 and 2013, respectively. On a year-on-year basis, the number of loan applications and the number of new real estate mortgage loans disbursed have fallen over the last three quarters of 2015. Given this trend, the growth in real estate mortgage loans may continue to slow in 2016. Additionally, the median price of a three-bedroom house has also fallen over the course of 2015, from $1.25 million in the first quarter to $1.15 million in the fourth quarter (Table 1).

Chart 1
The Mortgage Market Reference Rate and the Repo Rate



Source: Central Bank of Trinidad and Tobago.

Chart 2
MMRR and Residential Real Estate Mortgage Rates



Source: Central Bank of Trinidad and Tobago.

Table 1
Residential Real Estate Mortgage Market Indicators 2015

Indicator	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Interest Rate on Outstanding Mortgages (per cent)	5.4	5.3	5.3	5.4
Interest Rate on New Mortgages (per cent)	4.3	4.2	4.6	4.3
Number of New Residential Mortgages (y-o-y, per cent change)	1.5	-1.2	-2.5	-18.7
Number of Residential Loan Applications (y-o-y, per cent change)	28	-10.9	-10	-33.9
Average New Residential Mortgage (TT$ '000)	1,066	1,095	1,179	1,181
Median House Price (three-bedroom house) (TT$ '000)	1,250	1,200	1,200	1,150
Median LTV - Residential House and Land (per cent)	75.1	73.0	70.0	74.2

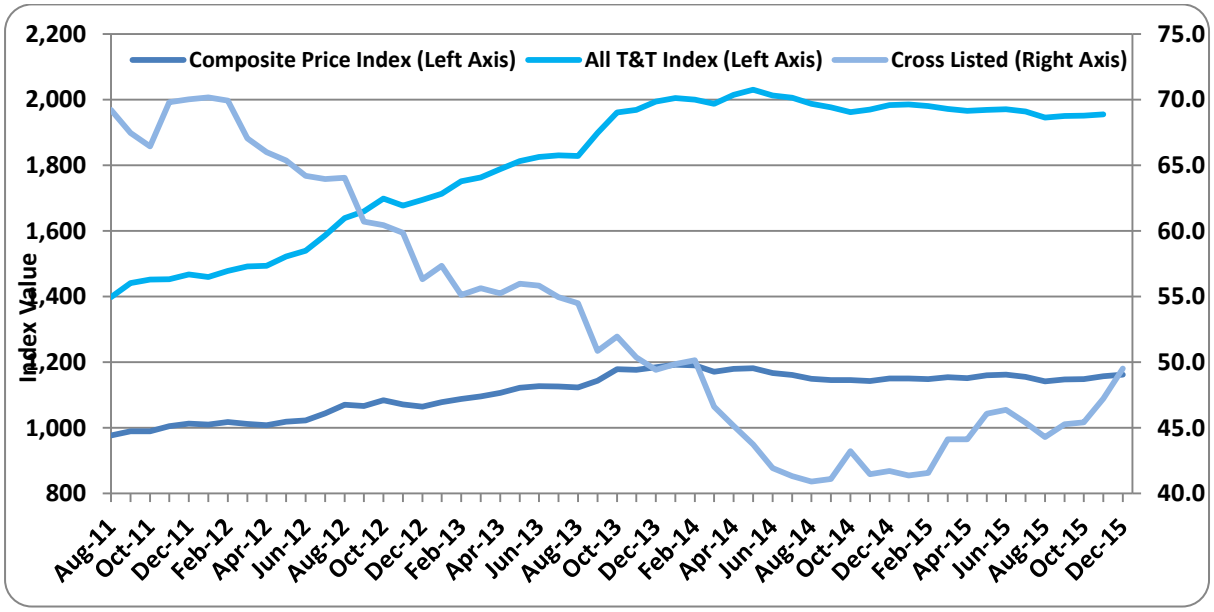
Source: Central Bank of Trinidad and Tobago.

PART XII – CAPITAL MARKET

Stock Market

The domestic stock market was generally lackluster over the second half of 2015. The Composite Price Index (CPI) dipped slightly by 0.03 per cent in the second half of 2015 when compared to an expansion of 1.0 per cent during the first half of 2015. Similarly, the All Trinidad and Tobago Index (ATI) declined by 1.1 per cent over the second half of 2015, following a 0.6 per cent fall in the first half of the year **(Chart 6)**. On the other hand, consistent with the improving prospects for the Jamaican economy, the Cross Listed Index (CLI) continued to rebound in the second half of 2015 albeit at a slower pace, gaining 6.8 per cent over the period compared to an 11.1 per cent jump in the first half of 2015. Despite the reduced performance on the domestic market for the period July to December 2015, total stock market capitalization grew by 2.1 per cent to $113.5 billion, mainly on account of the addition of Trinidad and Tobago NGL Limited (TTNGL) during the second half of 2015. In January 2016, the Trinidad and Tobago Unit Trust Corporation issued a new exchange traded fund, the Calypso Macro Index Fund. Details of this new issue are discussed in **(see Box 7)**.

Chart 6
Trinidad and Tobago Stock Indices



Source: Trinidad and Tobago Stock Exchange.

During the second half of 2015, only two of the sub-indices produced noticeable positive returns, while the others either displayed negligible or negative movements. In the second half of 2015, the Manufacturing II sub-index displayed the greatest expansion ending the period 29.9 per cent higher than the first six months of 2016; followed by Energy (7.5 per cent), Manufacturing I (0.8 per cent), Trading (0.6 per cent), Property (0.5 per cent) and Banking (0.04 per cent). Conversely, the Non-Bank and Conglomerates both declined by 2.4 per cent and 1.1 per cent) over the period.

Throughout the second half of the year, the trading volume on the domestic stock market was comparatively higher. A total of 41.1 million shares were traded during the second half of 2015 compared to 37.0 million shares exchanged in the previous period. Furthermore, the total value of shares exchanged was registered at $694.2 million compared to $458.7 million in the first half of the year.

Bond Market

Preliminary data shows that over the period July - December 2015, activity on the domestic primary bond market improved when compared to the first half of the year. With revenues constrained by falling energy prices, the Central Government continued to access domestic financing on the primary bond market. In this period, there were eight bond issues raising a total of just under $5.1 billion, compared to four primary issues which raised $1.4 billion in first half of 2015. In the second half of 2015, the Central Government placed two private bond issues raising $2.5 billion compared with two bonds issued by the Central Government in the first half of 2015 that raised $975 million. Meanwhile, the domestic private sector (ANSA Merchant Bank Limited and Endeavour Holding Limited) issued three bonds totaling just over $1.0 billion. Conversely, the domestic private sector was absent in the primary bond market through the first half of the year. Two state enterprises, First Citizens Bank and Trinidad and Tobago Mortgage Finance raised a combined $1.4 billion during the second half of the year following Trinidad Nitrogen Company Limited which raised short-term US-dollar financing during the first half of 2015. Home Mortgage Bank also accessed the primary bond market during the second half of 2015 raising $121 million in financing. Regional entities were absent during the second half of the year following Sagicor's, issuance of short-term US-dollar financing during the first six months of 2015 **(Table 19)**.

Table 19
Primary Bond Market

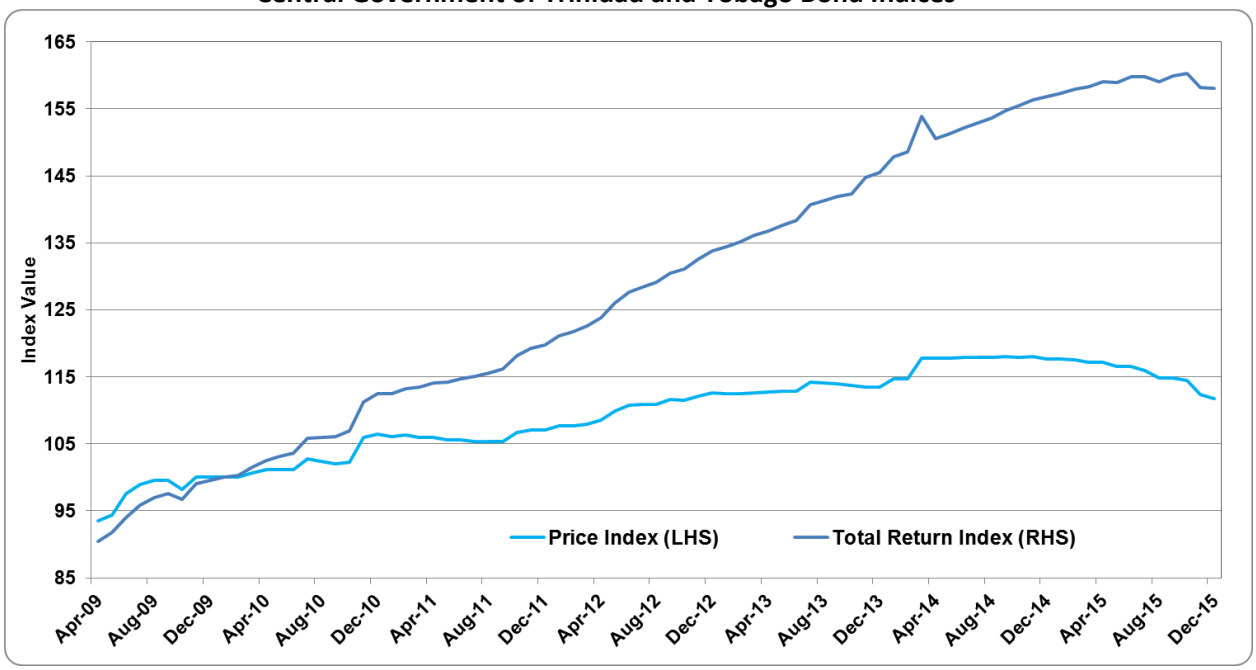
Period Issued	BORROWER	Face Value (TT $M)	Period to Maturity	Coupon Rate per annum (Per Cent)	Placement Type
March	Central Government of Trinidad and Tobago	500.00	12 years	Fixed Rate 2.3%	Private
April	Trinidad Nitrogen Company Ltd (TRINGEN)	158.60 (US $25.0 M)	1 year	Floating Rate 3-Month Libor + 1.55%	Private
June	Central Government of Trinidad and Tobago	475.28 (US $75.0 M)	6-months	Fixed Rate 2.61%	Private
	Sagicor Financial Corporation	272.80 (US $43.0 M)	11-months	Fixed Rate 5.0%	Private
September	ANSA Merchant Bank Limited	190.20 (US $30.0 M)	6 years	Fixed Rate 4.0%	Private
	Central Government of Trinidad and Tobago	1,000.00	10 years	Floating Rate: FCB Prime less 495 bps	Private
	Endeavour Holding Limited Tranche A Tranche B Tranche C	 240.00 120.00 40.00	 7 years 15 years 20 years	 5.50% 6.25% 6.90%	Private

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

Trading activity on the Trinidad and Tobago Stock Exchange's (TTSE) secondary Central Government bond market gained some momentum during the second half of 2015. Over the period, nineteen Central Government bonds with a combined face value of $27.6 million were traded compared to eleven Central Government bonds with a combined face value of $43.9 million in the first half of the year. Trading volume peaked in August 2015 with 12 Central Government bonds exchanging hands, while trading value peaked in January with $21 million in face value exchanged.

In light of increasing yields on Central Government of Trinidad and Tobago securities, the Central Government Bond Indices declined over the second half of 2015. The Price Index, which takes into account monthly changes in the weighted average price of Central Government bonds traded on the Trinidad and Tobago Stock Exchange, fell by 4.1 per cent over the second half of 2015 following a 0.9 per cent dip during the first six months **(Chart 7)**. Furthermore, the Total Return Index which accounts for the price changes and the accrued interest on Central Government securities declined by 1.1 per cent over the period following a 1.9 per cent gain over the first half of 2015.

Chart 7
Central Government of Trinidad and Tobago Bond Indices



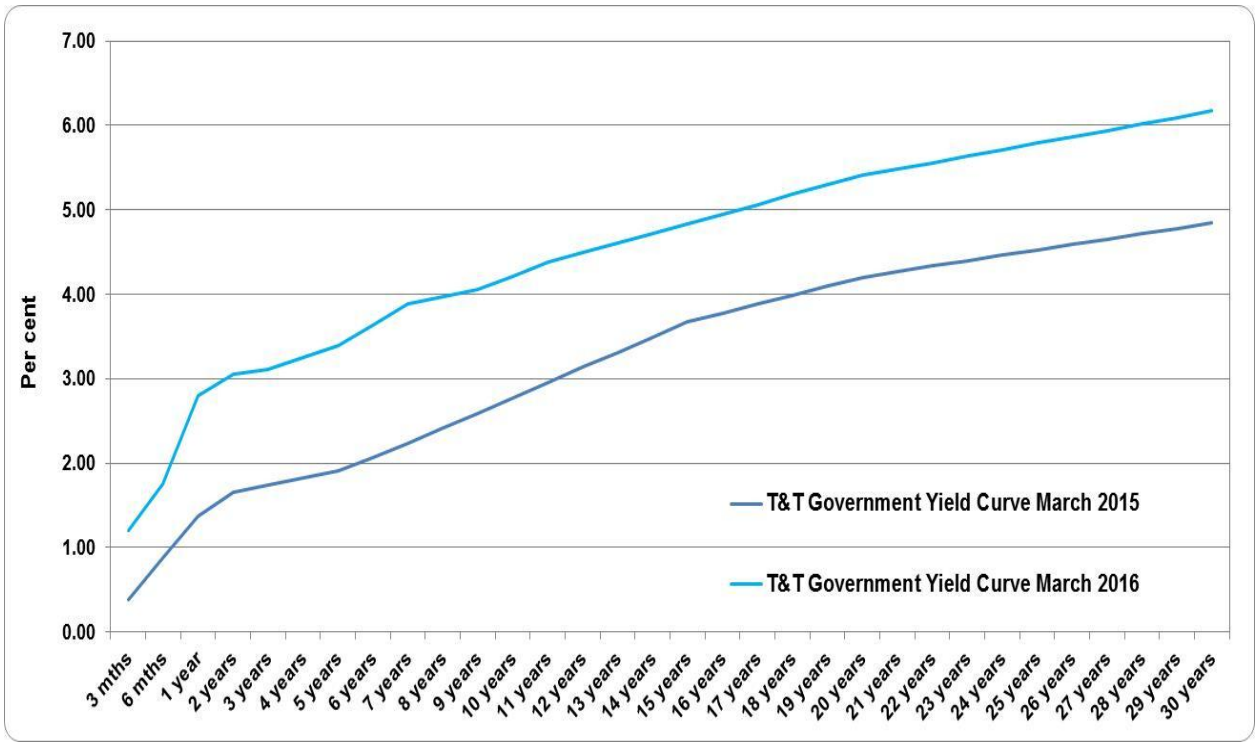
Source: Trinidad and Tobago Stock Exchange.

Central Government Yield Curve

Over the second half of 2015 and in light of a 75 basis point increase in the Central Bank policy instrument (Repo rate) to 4.75 per cent at the end of 2015, there was an upward but uneven shift observed in the standardized TT Treasury Yield Curve. During this period, the three-month yield rose by 30 basis points to 1.0 per cent while the one-year yield gained 84 basis points to 2.55 per cent over the period. On the longer end of the curve, the benchmark 10-year tenor rose by 95 basis points to 3.88 per cent and the 15-year increased by 62 basis points to 4.43 per cent at the end of December 2015 **(Chart 8)**.

Yields continued to increase over the first three months of 2016. The 3-month rate expanded by 20 basis points to 1.20 per cent while the 1-year grew by 25 basis points to 2.80 per cent. The longer term 10-year yield expanded up by 33 basis points to 3.21 per cent and the 15-year yield reached 4.84 per cent by the end of February 2016, a 41 basis point increase.

Chart 8
TT Treasury Yield Curve



Source: Central Bank of Trinidad and Tobago.

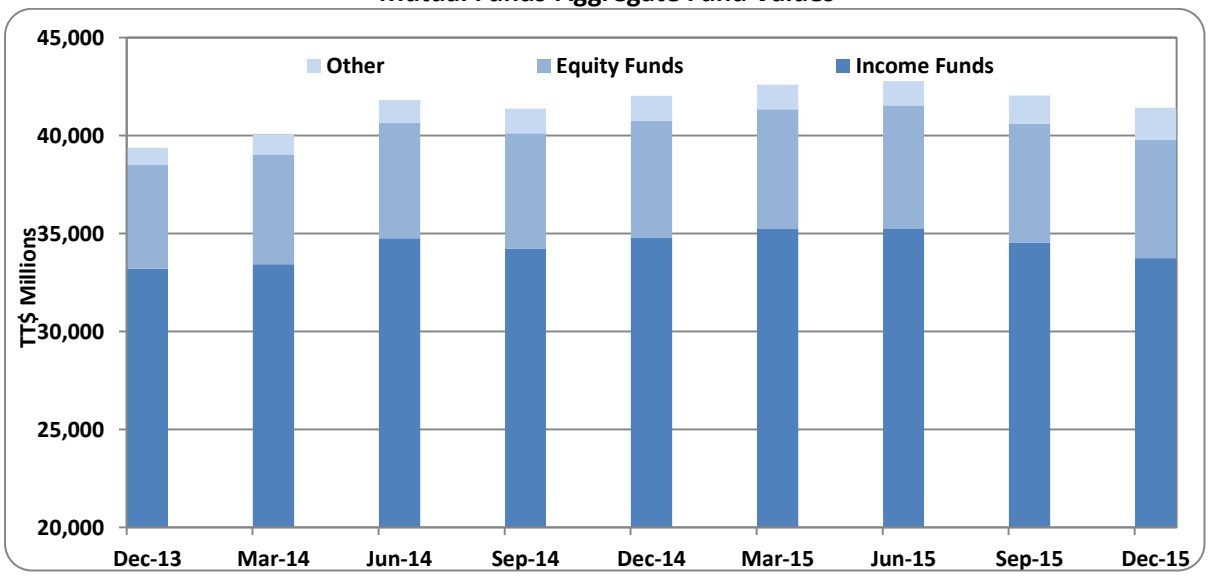
Mutual Funds

The local mutual fund industry experienced a turning point over the second half of 2015 due to softer economic conditions as the sluggish performance of the domestic stock market and an increasing domestic interest rate environment pushed Central Government bond yields higher. Over the six month period, July - December 2015, aggregate mutual funds under management declined by 3.1 per cent to just over $41.0 billion compared to growth of 2.2 per cent in the previous six months (Chart 9). During the second half of the year the industry attracted sales of approximately $7.4 billion and repurchases of about $7.9 billion, resulting in net repurchases of roughly $577.6 million. In comparison, net sales amounted to $777.4 million in the first half of 2015.

Income funds under management (which account for more than 80 per cent of the industry) slid by 4.3 per cent to $33.7 billion, following a 1.2 per cent increase during the first half of 2015. Furthermore, equity funds which displayed a notable performance in the first six months of 2015 by increasing by 8.7 per cent, reversed course and dipped by 3.9 per cent to just over $6.0 billion in the six months to December 2015. Income funds and equity funds both drew net redemptions of $522.7 million and $86 million respectively in the second half of 2015.

In terms of the industry currency profile, both foreign currency and TT dollar denominated funds retracted during the period. US dollar funds fell by 2.1 per cent to $8.2 billion (TTD equivalent), while TT dollar funds declined by 3.4 per cent to $33.2 billion over the second half of 2015.

Chart 9
Mutual Funds-Aggregate Fund Values



Source: Central Bank of Trinidad and Tobago.

BOX 7: The Trinidad and Tobago Unit Trust Corporation Calypso Macro Index Fund

The Trinidad and Tobago Unit Trust Corporation recently listed its newest fund, the Calypso Macro Index Fund. It is a closed-ended fund with a size of $500 million and a unit price of $25. Thirty five per cent of the Fund will be invested in funds traded on the Global Energy Index and 65 per cent will be invested in securities listed on the All T&T Index. The Calypso Macro Index fund was listed on the Trinidad and Tobago Stock Exchange on Monday January 11, 2016 after being fully subscribed over the extended investment period. Final allocation resulted in just over 20 million units being distributed as follows:

Investor Type Category	Number of Units Allocated	Percentage of Offer
Individual investors (residents of Trinidad and Tobago)	2,375,989	11.9%
Registered pensions and other trust funds	2,204,000	11.0%
Credit unions, co-operatives and registered mutual funds	11,055,091	55.3%
The NIB and its Affiliates	2,000,000	10.0%
Companies registered in Trinidad and Tobago	2,364,920	11.8%

Source: Trinidad and Tobago Unit Trust Corporation.

PART XIII – INTERNATIONAL TRADE AND PAYMENTS

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

Preliminary data for the first nine months of 2015 suggests that the external accounts of Trinidad and Tobago recorded an overall deficit of $1,004.2 million (5.1 per cent of GDP) while the level of gross official reserves was recorded at $10.3 billion, or 11.8 months of prospective imports of goods and non-factor services at the end of September 2015 (Table 20). The current account posted a deficit of $38.7 million (0.2 per cent of GDP) during the nine month period, compared to the surplus of $5.1 million (0.0[10] per cent of GDP) in the similar period one year earlier. The weaker current account balance was primarily a reflection of a smaller merchandise trade[11] balance. In addition, the capital and financial account recorded a deficit of $965.5 million as net private sector outflows neared $1.0 billion. Based on the change in reserves, the balance of payments is forecasted to record a deficit of $1.5 billion for 2015, bringing the level of gross official reserves at the end of December 2015 to $9.8 billion, which is equivalent to 11.1 months of import cover.

The merchandise trade account registered a surplus of $1,071.7 million during the first nine months of 2015, lower than the surplus of $2,412.1 million in the corresponding period of 2014. The weaker trade balance was reflective of lower energy and non-energy exports and an increase in non-energy imports. Energy exports contracted by 32.0 per cent to reach $6,395.0 million in the first nine months to September 2015 on account of lower energy commodity prices and production [12]. Meanwhile, non-energy exports declined by 1.1 per cent over the period amounting to $1,809.3 million as the demand from CARICOM waned (Chart 10). Despite the increase in non-energy imports, overall merchandise imports declined to $7,132.6 million from $8,765.2 million. Energy imports declined by 45.0 per cent to register $2, 598.2 million in the January to September period of 2015, compared to the previous year's recording of $4, 727.1 million. Non-energy imports, however,

[10] 0.025 per cent of GDP, written to 3 decimal places.

[11] The Central Statistical Office is the official source of merchandise trade data which is up to September 2015, as such CBTT estimates on comparative mirror trade is no longer used.

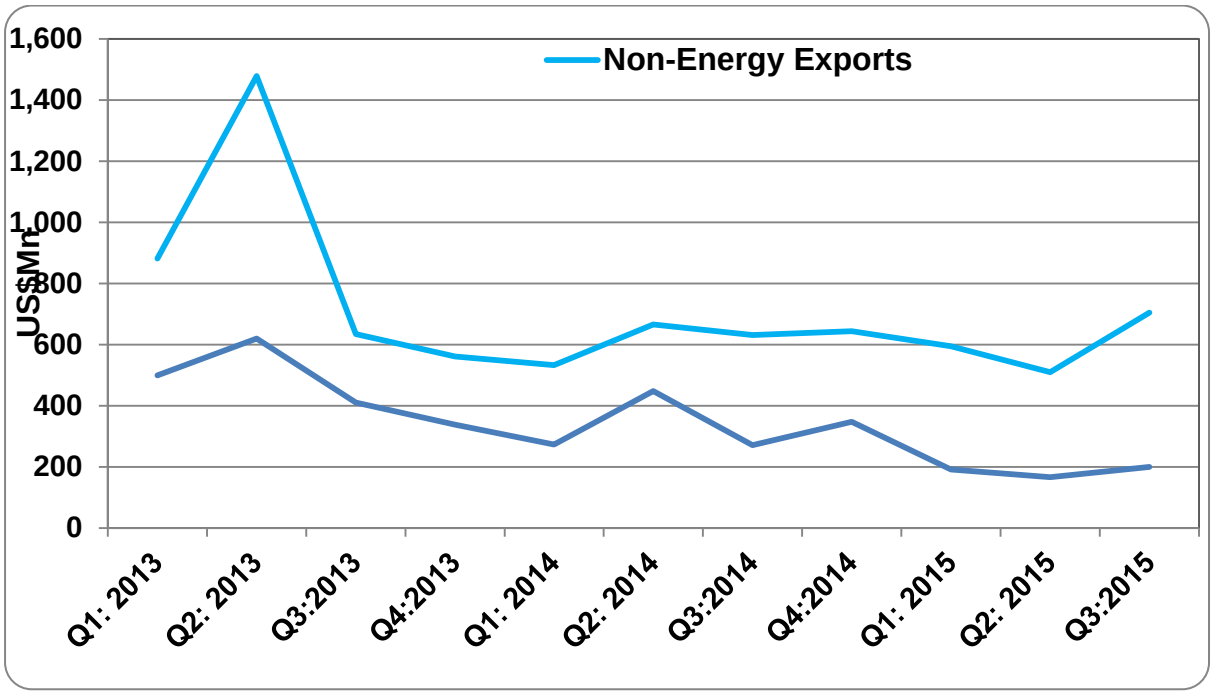
[12] Crude oil and natural gas average production levels fell to 79,799 barrels per day (b/d) and 3,870 million cubic feet per day (MMCF/d) respectively over the period January to September 2015 when compared to the 80,690 b/d and 4,111 MMCF/d produced over the period January to September 2014. Average West Texas Intermediate (WTI) crude oil price over the period January to September 2015 also declined to US$50.9 per barrel from US$99.8 per barrel for the year-earlier period, while the natural gas price fell to US$2.8 per mmbtu from US$4.6 per mmbtu.

increased by 12.3 per cent as the demand for capital goods and manufactured products heightened. Imports of machinery and transport equipment climbed by nearly 30 per cent in the first nine months of 2015 to reach $2,239.4 million, while imports of manufactured goods grew by 7.2 per cent over the similar reference period. Meanwhile, the services account recorded a net outflow of $487.0 million in the nine months to September 2015, compared with $394.0 million in the corresponding period one year ago. The investment account recorded a decrease in net outflows to $590.2 million in the first nine months of 2015, from $2, 004.8 million in the corresponding period one year earlier, due to lower dividends paid to foreign investors.

The capital and financial account recorded a deficit of $965.5 million in the nine months to September 2015, compared with a surplus of $127.1 million in the first nine months of 2014. Net foreign direct investment declined to $498.0 million on account of a contraction in net equity flows which were partially mitigated by an increase in net reinvested earnings. The petroleum industries sector registered the largest increase in inward foreign direct investment of 63.1 per cent to $1,076.0 million in the first nine months of 2015, greater than the corresponding period's record of $660.0 million. Meanwhile, assembly type and related industries exhibited the most significant decline in inward foreign direct investment of 94.7 per cent to $18.9 million from $356.5 million over the reference period. Outward foreign direct investment increased by 25.0 per cent to $716.0 million in the nine months to September 2015 when compared to the similar year earlier period. Portfolio investment outflows were recorded at $83.5 million over the period due to fewer purchases of long-term debt securities by the financial sector. In other developments, commercial banks increased their assets held abroad by $179.8 million. Disbursements on central government borrowings from multilateral sources amounted to $18.9 million, while principal repayments on existing external debt fell from $26 million as at September 2014 to $22.6 million as at September 2015. The debt service ratio for the quarter ending September 2015 was estimated at 1.4 per cent.

Chart 10

Trinidad and Tobago Non-Energy Exports



Source: Central Statistical Office

Table 20
Trinidad and Tobago Summary Balance of Payments
(US $ Million)

	2011[r]	2012[r]	2013[r]	2014[r]	Jan-Sep 2014[r]	Jan-Sep 2015[p]
Current Account	**1,787.2**	**-2,738.6**	**3,419.9**	**377.6**	**5.1**	**-38.7**
Trade Balance	5,455.3	1,272.1	6,115.7	3,290.1	2,412.1	1,071.7
Exports	14,943.4	12,916.1	18,744.8	14,566.1	11,177.3	8,204.4
Energy	12,597.0	9,781.3	15,188.0	12,093.1	9,347.8	6,395.0
Non-energy	2,346.4	3,134.8	3,556.7	2,473.0	1,829.4	1,809.3
Imports	9,488.1	11,644.1	12,629.1	11,276.1	8,765.2	7,132.6
Energy	4,308.2	5,589.3	7,141.4	5,585.6	4,727.1	2,598.2
Non-energy	5,179.9	6,054.8	5,487.7	5,690.5	4,038.1	4,534.4
Services (Net)	-627.6	-654.7	-445.4	-470.2	-394.0	-487.0
Income (Net)	-3,073.8	-3,389.5	-2,275.4	-2,421.0	-2,004.8	-590.2
Transfers (Net)	33.3	33.6	25.1	-21.3	-8.2	-33.2
Capital and Financial Account	**-1,034.5**	**2,116.6**	**-2,633.7**	**952.0**	**127.1**	**-965.5**
Private Sector	-718.5	2,943.5	-2,593.6	1,220.3	311.8	-980.5
Direct Investment	770.6	772.1	-66.3	1,213.8	575.4	498.0
Portfolio Investment	-84.9	-445.8	-100.1	-167.1	-104.1	-83.5
Commercial Banks	-309.8	-668.7	94.4	66.0	-117.1	-179.8
Other Private Sector Capital*	-1,094.4	3,285.9	-2,521.7	107.6	-42.4	-1,215.2
Public Sector**	-315.9	-826.9	-40.0	-268.3	-184.7	14.9
Overall Balance	**752.7**	**-622.0**	**786.3**	**1,329.6**	**132.3**	**-1,004.2**
	Per Cent of GDP					
Current Account	7.0	-10.6	12.9	1.4	0.0	-0.2
Trade Balance	21.4	4.9	23.0	12.0	11.8	5.5
Services (Net)	-2.5	-2.5	-1.7	-1.7	-1.9	-2.5
Income (Net)	-12.1	-13.1	-8.6	-8.8	-9.8	-3.0
Transfers (Net)	0.1	0.1	0.1	-0.1	0.0	-0.2
Capital and Financial Account	-4.1	8.2	-9.9	3.5	0.6	-4.9
Private Sector	-2.8	11.4	-9.8	4.5	1.5	-5.0
Direct Investment	3.0	3.0	-0.2	4.4	2.8	2.6
Portfolio Investment	-0.3	-1.7	-0.4	-0.6	-0.5	-0.4
Commercial Banks	-1.2	-2.6	0.4	0.2	-0.6	-0.9
Other Private Sector Capital*	-4.3	12.7	-9.5	0.4	-0.2	-6.2
Public Sector**	-1.2	-3.2	-0.2	-1.0	-0.9	0.1
Overall Balance	3.0	-2.4	3.0	4.9	0.6	-5.1
Memorandum Items						
Gross Official Reserves***	9,822.7	9,200.7	9,987.0	11,316.6	10,119.3	10,312.3
Import Cover (months)***	13.5	10.4	12.0	12.7	11.5	11.8

Sources: Central Statistical Office and Central Bank of Trinidad and Tobago.

r Revised.

p Provisional.

[1] The Central Bank of Trinidad and Tobago is in the process of reviewing and improving its External Sector Statistics. As part of this process merchandise trade data for the period 2011-September 2015 have been revised with the latest statistics received from the Central Statistical Office. In addition for the same period, 2011-September 2015, the services sub-account has also been revised due to resubmissions received from respondent firms.

* Includes Errors and Omissions and Capital Transfers.

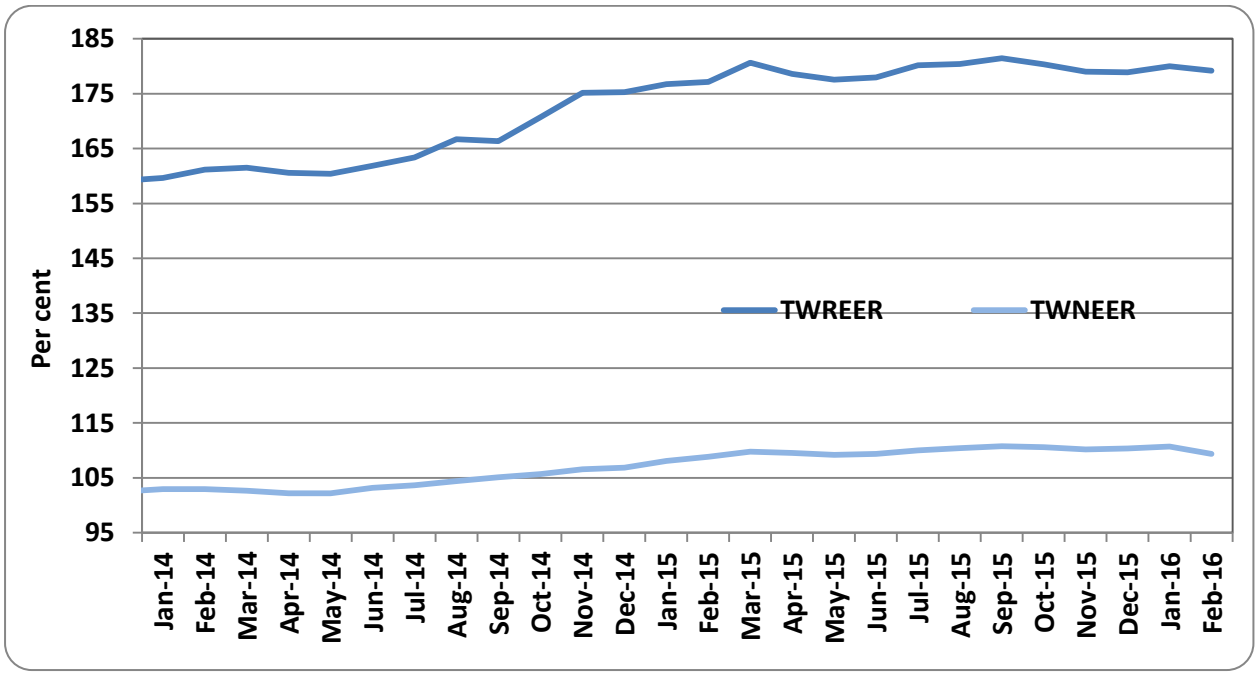
** Includes Official Borrowing, State Enterprises, Heritage and Stabilization Fund, Other Assets and Other Liabilities.

*** End of Period.

Effective Exchange Rates

Trinidad and Tobago's international price competitiveness, as measured by the trade weighted real effective exchange rate (TWREER)[13] weakened in the first two months of 2016. The country's price competitiveness deteriorated as the TWREER appreciated[14] by 1.5 per cent, albeit a slower decline than in the corresponding period one year earlier when it fell by 10.3 per cent **(Chart 11)**. This decline in competitiveness was due to higher domestic prices when compared with the country's major trading partners which outstripped the depreciation of the domestic dollar. Domestic inflation increased by 2.9 per cent in the two month period to February 2016, higher than the weighted average inflation rate of 0.2 per cent for Trinidad and Tobago's major trading partners. On average, the domestic dollar[15] depreciated by 1.8 per cent (year-on-year) compared with an average depreciation of 0.1 per cent in the exchange rates of Trinidad and Tobago's major import and export markets.

Chart 11
Trade Weighed Real and Nominal
Effective Exchange Rate
(2000=100)



Source: Central Bank of Trinidad and Tobago

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

[14] An increase (decrease) in the index is an appreciation (depreciation) which represents a loss (gain) of competitiveness.

[15] Each unit of currency (domestic and trading partners) is measured per unit of USD.

CALENDAR OF KEY ECONOMIC EVENTS

July - December, 2015

July

13 Dr. Sandra Sookram was appointed Deputy Governor of the Central Bank of Trinidad and Tobago for a five-year term.

Caribbean Information and Credit Rating Services Limited (CariCRIS) reaffirmed its ratings of CariAAA (Foreign and Local Currency Ratings) on its regional rating scale and ttAAA on its national scale for the US$500 million debt issue (notional) of the Government of The Republic of Trinidad and Tobago (GORTT). These ratings indicate that the level of creditworthiness of this obligation relative to other obligations in the Caribbean is the highest.

29 LGO Energy PLC announced that it had encountered recoverable hydrocarbons from the latest well to be drilled in Trinidad. The company said the GY-676 well encountered a net pay of 250 feet from the Goudron sandstone and a further net pay of 222 feet from the C-Sand interval. The well is the fifth to be drilled in the area in 2015.

Trinidad and Tobago became the ninth country out of 161 members of the World Trade Organization to accept the Trade Facilitation Agreement (TFA). This agreement provides a series of global measures for expediting trade and reducing trade costs.

31 The new office of the Central Statistical Office (CSO) and its new website (www.cso.gov.tt) were officially inaugurated by Planning Minister Dr. Bhoe Tewarie. The institution is expected to provide faster and better quality statistics.

Republic Bank of Trinidad and Tobago acquired RBC Royal Bank (Suriname) NV from RBC Financial (Caribbean) Limited, through the purchase of Royal Overseas Holdings (St. Lucia) Limited. The Suriname bank has a network of five branches in the capital of Paramaribo and one in Nickerie, and assets of approximately US$525 million (as at October 31, 2014).

The Central Bank of Trinidad and Tobago raised the ‘repo’ rate by 25 basis points for a sixth consecutive time to 4.25 per cent.

August

01 Mr. Krishna Boodhai was appointed Chairman of the Board of the Trinidad and Tobago Unit Trust Corporation (UTC) effective August 1, 2015 to July 31, 2017.

05 Trinidad and Tobago Fine Cocoa Company Ltd, the country's first cocoa-processing facility, was officially launched. The factory, located at La Reunion Estate in Centeno, was established through a public-private partnership between the Government of Trinidad and Tobago and Trinidad-born businessman Ashley Parasram. The factory can process 50 metric tonnes of cocoa beans per year and has the potential to process up to 150 metric tonnes by 2017.

29 The Water and Sewerage Authority (WASA) secured a loan of US$546 million from the Inter-American Development Bank (IDB) to construct wastewater treatment plants nationwide.

September

3 Trinidad Cement Limited (TCL) signed a five-year term loan agreement for US$200 million with Credit Suisse and Citibank. According to Chairman Wilfred Espinet, this loan represents the end of a critical phase in the company's comprehensive restructuring as the capital structure is one of the elements to position the company for long-term viability.

9 Dr. Keith Rowley was sworn in as Prime Minister of Trinidad and Tobago after the People's National Movement won the general elections which were held on September 7, 2015.

11 For the fifth consecutive year, Scotiabank Trinidad and Tobago was recognized as the Best Digital Bank in Trinidad and Tobago, by Global Finance Magazine in 2015.

25 The Central Bank of Trinidad and Tobago raised the 'repo' rate for a seventh consecutive time by 25 basis points to 4.50 per cent.

First Citizens Investment Services underwrote a TT$1 billion bond for the Government of Trinidad and Tobago. The bond has a tenor of 10 years and an effective rate at issue of 3.55 per cent.

October

5 11 The Trinidad and Tobago Unit Trust Corporation (UTC) launched its first index-driven mutual fund called the Calypso Macro Index Fund which is to be listed and traded on the local stock exchange. Krishna Boodhai, Chairman of the UTC described the Fund as Trinidad and Tobago's version of the S&P 500 Index. Sixty five per cent of the fund will mirror the entire local stock exchange listing portfolio and the remaining thirty five per cent will be a stake in energy companies through global energy exchange traded funds.

19 Trinidad and Tobago NGL Limited, a subsidiary of National Gas Company, listed 116,100,000 Class B shares on the Trinidad and Tobago Stock Exchange at TT$20.00 a share. This represents the company's issued share capital as a result of an Initial Public Offering that was launched on August 10, 2015 to members of the public and closed on September 9, 2015.

25 The University of the West Indies St. Augustine Campus launched the first phase of the UWI/China Agricultural University Agricultural Innovation Park at the University's East Campus site in Orange Grove. Located on 200 acres of land, this farm is expected to showcase advanced intensive agricultural production methodologies using technologies and best practices from China and Caribbean indigenous knowledge of food production.

26 An Act to provide for the service of Trinidad and Tobago for the Financial Year ending 30th September 2016 was assented to on this date. This Act may be cited as the Appropriation (Financial Year 2016) Act, 2015 (Act No.10 of 2015).

29 The Central Bank of Trinidad and Tobago re-established the foreign exchange distribution system that was in operation as at March 31, 2014. This change is to take effect from October 29, 2015.

30 The Central Bank of Trinidad and Tobago made a special injection of US$500 million into the domestic foreign exchange market to clear the commercial banks' foreign exchange queues for trade-related purposes.

November

6 The Central Bank of Trinidad and Tobago provided an update on the Resolution Plan announced on March 27th 2015, for Colonial Life Insurance Company (Trinidad) Limited (CLICO).

16 The IDB announced the approval of a US$25 million loan to Trinidad and Tobago. This loan will help strengthen the country's single Electronic Window for the Trade and Business Facilitation Project (TTBizlink), a secure business portal that was created in 2009 to simplify foreign trade and business processes. This represents part of Trinidad and Tobago's efforts to diversify the economy. The loan is for 25 years, with a grace period of 5½ years and an interest rate based on LIBOR.

20 Members of the newly created Economic Advisory Board received their Instruments of Appointment from the Prime Minister of Trinidad and Tobago, Dr. Keith Rowley. The Board is chaired by the former Central Bank Deputy Governor Dr. Terrence Farrell and is mandated to develop and maintain a model of the economy that will allow for analysis of short and long term effects of alternative policies and investment. It is also charged with the responsibility of developing an approach for national innovation.

December

01 The Mortgage Market Reference Rate (MMRR) was increased to 2.75 per cent from 2.50 per cent in September 2015.

04 The Central Bank of Trinidad and Tobago raised the 'repo' rate by 25 basis points to 4.75 per cent.

16 Republic Bank Limited completed the formation of its holding company, Republic Financial Holdings Limited (RFHL). The restructuring was accomplished by a vesting order under the Financial Institutions Act, Chap 79:09 in Trinidad and Tobago. Republic Financial Holdings Limited is now the parent of all banks in the group, as well as Republic Securities Limited. (Legal Notice No.215 of 2015).

23 Dr. Alvin Hilaire was appointed Governor and Chairman of the Board of the Central Bank of Trinidad and Tobago for a five year term, replacing Mr. Jwala Rambarran who served in this capacity from July 17, 2012 to December 23, 2015.