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PART I – OVERVIEW AND OUTLOOK

OVERVIEW

Since the second half of 2016 the global economy has been emerging from the low-growth cycle precipitated by the 2008/2009 global financial crisis. Notably, the United States (US) economy strengthened during the latter half of 2016 based on favourable outturns for domestic output, investment, consumption and employment. In addition, indicators of market sentiment and business confidence improved. The improvement of indicators in the US, along with the outlook for inflation, created the conditions for the US Federal Reserve (US Fed) to increase its policy target range in December 2016 and again in March and June 2017. In the United Kingdom (UK), the economy has remained resilient following the referendum to leave the European Union (EU), and has continued to record positive growth. Growth in the EU was weak in 2016 and is likely to remain subdued in 2017, weighed down by political uncertainty after elections in the UK in June resulted in a hung parliament, and as a few other EU countries hold presidential elections (Germany, Italy, and Czech Republic) during the year.

Among emerging market and developing economies (EMDEs), growth in India slowed in the first quarter of 2017 due to the temporary effects of the currency note replacement programme (demonetization). Meanwhile, the expansion in the Chinese economy remained strong due to fiscal stimulus and record growth in bank lending. The Russian economy benefited from improved crude oil prices in the first three months of 2017 while Brazil showed further signs of emerging from recession.

In Latin American and Caribbean (LAC) economies, output contracted in 2016. The contraction was led by Brazil's on-going recession coupled with political and economic tensions in Venezuela, which weighed on growth in the region. Despite this, some Latin American countries grew modestly in 2016, including Chile, Colombia and Peru. The economic performance among the Caribbean countries was mixed with tourism-dependent economies generally outperforming commodity exporters. Some economies in the region continue to struggle with persistent current account and fiscal deficits, while a number have experienced declining foreign exchange reserves.

Policy rate actions varied among central banks but monetary policy has remained generally accommodative. Amongst the major advanced economies, the US Fed increased the range of its policy rate, the federal funds rate, on three occasions in the last seven months. However, the Bank of Japan (BOJ), the Bank of England (BOE) and the European Central Bank (ECB) all took no policy actions at their most recent meetings, leaving their accommodative stances unchanged. In emerging market economies, transitory effects (such as demonetization in India) and the possibility of increased capital outflows induced by further rate hikes in the US fed funds rate in 2017 deterred some countries from lowering their policy rates. However, Chile, Colombia, Peru and Brazil lowered their key policy rates between February and April 2017 to stimulate economic growth, while Mexico raised its key policy rate in May 2017 as inflation continued to accelerate above its target range. Monetary policy in the Caribbean economies has also generally remained accommodative to support growth. The Bank of Guyana maintained its policy rate in December 2016 while Jamaica lowered its key policy rate in April 2017.

In commodity markets, energy prices recovered mildly towards the end of 2016. After fluctuating below the US$50 per barrel mark for most of 2016, crude oil prices—along with prices of some crude oil derivative products—garnered strength following an OPEC-led agreement in November 2016 to cut oil output. The deal between OPEC and ten non-OPEC countries on production cuts totaling 1.8 million barrels per day by June 2017 pushed prices above US$50 per barrel (bbl) in December 2016. Crude prices hovered around US$50/bbl in the first five months of 2017 despite some short-term volatility arising from US shale oil production and geopolitical tensions in the Middle East. Price trends for the rest of 2017 will be heavily influenced by the response of US shale production to the recent decision by OPEC to extend production cuts by a further nine months beyond June 2017. Natural gas prices at the Henry Hub saw some strengthening in the second half of 2016. From US$2.6 per million British Thermal Units (mmbtu) in June 2016, natural gas prices rose to $3.6 per mmbtu by December 2016. During the first five months of 2017 the price declined slightly to an average of $3.0 per mmbtu as a result of a relatively warm winter in the US. However, prices remained 50 per cent higher than the average price in the first five months of 2016.

The Trinidad and Tobago economy continued to experience the negative effects of low prices and production of energy commodities. The production of energy commodities fell in the fourth quarter of 2016 compared to the corresponding quarter of 2015. In addition, indicators of production on the non-energy side were lower than in the fourth quarter of 2015. Crude oil production was down by 4.2 per cent year-on-year, and natural gas production was lower year-on-year by 10.8 per cent. Nevertheless, natural gas output in the fourth quarter recovered significantly from the falloff in the third quarter of 2016 which resulted from downtime related to the tie-in of bpTT's Juniper plant. The shortfalls in natural gas production negatively affected the production of downstream commodities on a year-on-year basis. There were significant declines in the output of liquefied natural gas (LNG) (8.5 per cent), and methanol (24.2 per cent). During the fourth quarter, several methanol plants were shut down or operated below capacity for much of the period because of limited natural gas availability. In all, output of petrochemicals (which includes methanol and fertilisers) fell by 12.9 per cent.

More recent information for the energy sector revealed a further downturn in production during the first quarter of 2017. Crude oil production declined 0.5 per cent, year-on-year, to an average of 74,343 barrels of oil per day (bbl/d) while natural gas production fell by 8.5 per cent to 3,286 million standard cubic feet per day (mmscf/d) compared to the corresponding period one year earlier. The shortage of natural gas supplies continued to adversely impact the production of key energy commodities. During the quarter, the output of LNG (6.8 per cent), natural gas liquids (NGLs), fertilizer production and methanol (11.6 per cent) contracted on a year-on-year basis.

Indicators of economic activity monitored by the Central Bank suggest that non-energy sector activity was also lethargic in the fourth quarter of 2016 in a number of sectors with the exception of the finance, electricity and water sectors. Indicators for the construction sector point to weak activity as evidenced by sales of cement which fell by 15.9 per cent (year-on-year) while sales of mined aggregates were down by 15.5 per cent. In addition, retail sales of hardware and construction materials declined by 25.6 per cent and credit extended to the construction sector also contracted on a year-on-year basis. In the manufacturing sector, output is likely to have fallen on account of lower production of construction-related manufactured products (such as blocks and ready mix concrete) because of the softness in the construction sector, and because of declining output from the food processing industry, in particular tobacco and alcoholic beverages. Distribution activity is also estimated to have been weaker in the fourth quarter of 2016 as suggested by a key indicator, the Index of Retail Sales, which fell by 4.1 per cent. On a positive note, there was increased activity in the finance and the electricity and water sectors.

Several indicators suggest that subdued economic activity within the non-energy sector persisted in the first quarter of 2017. In the construction sector, local sales of cement declined by 16.6 per cent (year-on-year) and mined aggregates fell by 28.9 per cent while in the distribution sector, new motor vehicle sales contracted by 25.5 per cent. Early information also alludes to subdued economic activity in the commercial bank and insurance sectors. Meanwhile in the electricity and water sector, electricity generation declined on account of lower demand, related to the closure of four methanol plants in the fourth quarter of 2016.

Latest data from the Central Statistical Office (CSO) revealed that the unemployment rate rose in the third quarter of 2016, to 4.0 per cent from 3.4 per cent in the similar quarter of 2015. During the third quarter of 2016, the number of persons with jobs fell by 6,600 persons (year-on-year). However, the number of persons recorded as unemployed rose by just 3,600 persons as fewer persons were actively seeking jobs and the labour force consequentially declined. With fewer persons offering themselves for jobs in the third quarter of 2016 the participation rate fell to 59.8 per cent from 60.3 per cent in the third quarter of 2015.

Given the fall in prices of the country's main export products, the current account balance shifted into deficit in 2016 from a surplus in 2015. Low energy prices coupled with depressed energy sector exports resulted in low energy export earnings. Based on most recent data compiled by the Central Bank, the current account deficit stood at 10.9 per cent of GDP from a surplus of 3.9 per cent a year earlier. Gross official reserves amounted to $9,465.8 million at the end of December 2016 (equivalent to 10.5 months of imports), compared with $9,933.0 million in December 2015.

The foreign exchange market continued to face pressures as the fall in export earnings as a result of the terms of trade shock has not been matched by a fall in foreign exchange demand. Over the first five months of 2017, the local foreign exchange market saw a decline in purchases of foreign exchange by authorized dealers from the public (non-Central Bank purchases) by 25.8 per cent, as energy sector conversions fell by 30.2 per cent compared with the same period one year earlier. Likewise, authorized dealers' sales of foreign exchange were lower by 6.9 per cent over the period January-May 2017. The Central Bank continued to support the market with bi-weekly sales of foreign exchange to authorized foreign exchange dealers; in the first five months of 2017 the Bank sold US$810.0 million to authorized dealers, which represented an increase of 41.6 per cent from the comparable period of 2016. The weighted average selling rate of the TT dollar was US$1 = TT$6.7802 in May 2017 unchanged from December 2016.

Headline inflation has trended downward over 2017 so far. In April 2017 headline inflation stood at 1.8 per cent on a year-on-year basis, down from 3.6 per cent in January 2017 while core inflation measured 1.8 per cent in April 2017, down from 2.7 per cent in January 2017. In the first four months of 2017, food inflation has slowed sharply: from 7.6 per cent in January 2017 food inflation dipped to 1.8 per cent by April 2017. The sharp falloff was due to the end of a base effect associated with the re-introduction of VAT on a range of food items in February 2017. Meanwhile, producer price inflation picked up in 2017 but, overall, remains restrained in the context of the slow domestic economy. Upward pressure on the index emanated from higher producer prices for raw materials for tobacco production. The rate of increase in building material prices slowed in the first quarter of 2017, likely influenced by the slow pace of activity in the construction sector.

Over the first six months of FY 2016/2017 (October 2016 to March 2017), the Central Government recorded a deficit of $6.9 billion, compared to a deficit of $3.1 billion in the corresponding period one year earlier. Energy revenues were higher in the first six months of FY 2016/2017 than in the corresponding year-earlier period, reflecting higher average commodity prices in the current period. However, non-energy revenues fell off substantially because of lower receipts from profits of state enterprises, taxes on goods and services and international trade, and reduced capital revenue. In the face of the on-going revenue constraints, the Government sought to further streamline current and capital expenditures. Over the first six months of FY 2016/17, Government spending on transfers and subsidies fell by $1.2 billion, mainly reflecting lower petroleum subsidy payments. Capital expenditure also fell in the first half of FY 2016/17. In line with budgetary expectations of financing the deficit mainly through domestic sources, the Government borrowed $3.5 billion domestically, withdrew US$251.0 million from the Heritage and Stabilisation Fund and issued an Additional Public Offering of shares (APO) in First Citizens Bank which yielded just over $1 billion.

In April 2017, Trinidad and Tobago's sovereign credit rating was downgraded by two international ratings agencies. On April 21, 2017 Standard and Poor's lowered the long-term rating of the country to BBB+ from A-. The outlook was deemed stable. Later, on April 25, 2017 Moody's Investors Service downgraded the country's issuer and senior unsecured debt ratings to Ba1 from Baa3 and assigned a stable outlook. These rating actions which, according to the rating agencies, were based on limited fiscal consolidation efforts, a rise in debt ratios and declining energy production, could lead to higher borrowing costs for the country on the international financial markets.

During the May 2017 Mid-Year Budget Review, the Government adjusted its projected outturn for FY 2016/17, based mainly on expectations of higher energy revenues than previously envisaged. Central Government revenue for the FY 2016/17 was revised upward from $47.4 billion to $48.0 billion due to an expected increase of $575 million in income taxes from petroleum companies. As a result, the Central Government's overall projected deficit has been reduced from $6.0 billion (3.9 per cent of GDP) to $5.9 billion (3.8 per cent of GDP).

Growth in private sector credit granted by the consolidated financial system remained subdued over the seven months to April 2017. Within the three major credit categories, businesses lending contracted on a year-on-year basis. Lending for construction fell sharply, which might be associated by the sluggish activity within the sector. Lending to the manufacturing and distribution sectors also slowed over the period. Credit to consumers decelerated mainly due to the slowdown in lending for the purchase of motor vehicles. Likewise, the growth in real estate mortgage lending for both residential and commercial transactions lending eased.

In early 2017, the main monetary aggregates contracted slightly. As credit growth slowed and net domestic fiscal injections remained subdued, the monetary aggregates declined incrementally over the four-month period to April 2017. M1-A declined by 1.5 per cent (year-on-year), owing to a contraction in demand deposits. M-2 was almost unchanged as a small increase in savings deposits was offset by a drop in time deposits. M-2* also fell by 0.8 per cent as commercial banks' foreign currency deposits declined.

The differentials between the TT and US interest rates fell between September 2016 and May 2017. Between September 2016 and May 2017 the TT 3-month Treasury bill rate remained unchanged at 1.20 per cent. However, the rate on the corresponding US 3-month Treasury bill, increased 69 basis points to reach 0.98 per cent over the same period, mainly as a result of increases in the Fed's monetary policy rate. Consequently, the 3-month TT-US differential decreased to 22 basis points in May from 91 basis points in September 2016. Longer-term yield differentials over September 2016 to May 2017, in addition to movements in the Fed Funds rate, were also influenced by expectations of rising long-term inflation in the US. The US 10-year Treasury bond rate gained 85 basis points between September and May 2017 while the TT 10-year Treasury bond lost 2 basis points over the same period. The long-term TT-US differential therefore decreased by 63 basis points to reach 217 basis points by May 2017.

In light of the subdued economic conditions, still low domestic inflation, and developments in domestic and international interest rates, the Monetary Policy Committee (MPC) of the Central Bank held the Bank's main monetary policy rate, the 'Repo' rate, at 4.75 per cent at its four meetings since the last Monetary Policy Report (November 2016, January, March, and May 2017). The MPC noted the contraction in the TT and US short-term interest rate differentials over the period and the possibility for further interest rate increases in the US during 2017. However, the indicators available to the Bank showed that the domestic economy remained weak, although the prospects were for some strengthening towards the end of the year, based on improvements in the energy sector. At the same time inflation remained in check and, in the context of the subdued economy, there appeared no immediate threat to price stability. Balancing these considerations, the MPC decided to hold the 'Repo' rate at 4.75 per cent in support of the domestic economy. Meanwhile, the Bank continued to conduct its open market operations flexibly to facilitate changing liquidity needs of the financial system. Liquidity levels of the financial system were generally higher in the first five months of 2017 compared to the same period of 2016. Over January to May 2017, excess liquidity averaged $3,478.4 million (monthly), relative to $3,323.2 million over the period August to December 2016.

OUTLOOK

Prospects for global economic growth in 2017 and 2018 have improved since November 2016. In its recent forecasts, the International Monetary Fund (IMF) projected world growth to accelerate from 3.1 per cent in 2016 to 3.5 per cent in 2017 and 3.6 per cent in 2018 (World Economic Outlook (WEO) April 2017). The recent forecasts are based on expected expansions in global manufacturing and trade. However, important downside risks arise from a range of potential developments. These include increased trade protectionism policies which could reduce international trade and investment flows; faster than expected rate hikes by the US fed which could trigger a rapid tightening of global financing conditions and also capital outflows from emerging market and developing economies; and structural rigidities which continue to restrain growth in some advanced economies. Other important downside risks include: elevated geopolitical tensions; political uncertainty; extreme weather conditions; terrorism and security concerns.

On the domestic front, the economy is expected to recover modestly in 2017, mainly as a result of new energy sector output during the latter half of 2017. Much of the prospect for growth rests upon three natural gas projects: the Trinidad Onshore Compression project, the Sercan field and bpTT's Juniper project which is likely to start production in the third quarter of 2017. The additions to natural gas production will be welcomed by the downstream LNG and petrochemical industries which will benefit from more reliable gas supplies for their operations.

Monetary policy over the remainder of 2017 will need to be sensitive to the evolution of domestic prices, domestic economic activity and the trajectory of international interest rates. Inflation is likely to remain controlled—given the slow pace of the domestic economy—although flooding in some agricultural areas could exert mild pressures on headline inflation as a result of damage to fruit and vegetable production. The economy should pick up mildly in the latter half of the year. Liquidity in the financial system will remain adequate, but credit growth will likely be muted in the face of soft business and consumer demand. Internationally, market expectations are for continued gradual increases in interest rates in the US as economic conditions in that country improve. This will bear implications for the trajectory of short-term interest rate differentials between Trinidad and Tobago and the US and consequently for the direction of capital flows. The Central Bank will balance these considerations in implementing monetary policy.

TABLE 1A
SUMMARY ECONOMIC INDICATORS

	2015	2016	Jan-May 2016	Jan-May 2017
Real Sector Activity				
Energy Sector*				
Total Depth Drilled (metres)	147,075.4	108,886.1	29,333.3	37,793.7
Crude Oil Production (b/d)	78,697.1	71,503.6	74,688.7	74,342.7
Crude Oil Exports (000 bbls)	11,318.6	10,291.7	2,641.6	2,915.4
Refinery Throughput (b/d)	125,307.5	148,251.4	148,046.0	132,412.0
Natural Gas Production (mmcf/d)	3,833.2	3,326.6	3,588.3	3,285.7
Natural Gas Utilization (mmcf/d)	3,578.3	3,103.8	3,349.3	3,091.7
LNG Production (000 cubic metres)	28,909.5	24,408.2	6,612.0	6,163.6
Fertilizer Production (000 tonnes)	5,452.7	5,421.9	1,393.4	1,337.8
Fertilizer Exports (000 tonnes)	4,946.3	5,149.8	1,431.9	1,279.2
Methanol Production (000 tonnes)	5,515.9	4,655.0	1,262.1	1,115.5
ECPI (Jan 2007 = 100)**	83.3	67.8	60.8	84.4
Non Energy				
Local Sales of Cement (000 tonnes)*	656.0	524.3	134.1	124.2
New Motor Vehicle Sales**	18,765.0	16,203.0	5,515.0	4,411.0
Average Daily Job Vacancy Advertisements	765.7	577.0	629.0	488.0
Prices (Average)				
Year-on-Year per cent change				
Producer Prices	2.4	1.2	2.4	1.2
Headline Inflation***	4.7	3.1	4.7	3.1
Food Inflation***	8.6	7.5	8.6	7.5
Core Inflation***	1.8	2.2	1.8	2.2
Monetary (end of period)				
Year-on-Year per cent change				
Private Sector Credit***	6.1	3.3	6.7	2.1
Consumer Lending***	8.7	6.6	9.4	5.4
Business Lending***	2.9	0.3	3.9	-1.1
Real Estate Mortgages***	8.9	4.4	8.6	4.4
M-1A***	-7.3	2.6	3.7	-1.5
M-2***	-1.4	3.2	4.1	-0.2
Commercial Banks' Daily Average Excess Reserves (TT$ millions)	3,399.4	3,959.8	4,359.1	3,473.8
TT 91 day Treasury Bill Rate (per cent)	1.00	1.20	1.20	1.30
Financial Stability - Commercial Banks				
Non-Performing Loans (per cent)***	3.4	3.1	3.3	3.1
Capital Adequacy Ratio (per cent)***	22.1	21.9	21.6	22.2
Capital Market				
Composite Price Index (1983 = 100; end of period)	1,162.3	1,209.5	1,109.6	1,216.3
Volume of Shares Traded (millions)	78.2	92.0	51.9	35.4
Mutual Funds Under management ($Billions)****	41.4	43.0	42.3	43.0
External				
US$ millions				
Sales of Foreign Exchange to Public	7,382.5	5,776.8	2,272.7	2,159.6
Purchases of Foreign Exchange from Public	4,941.3	4,289.0	1,886.0	1,398.9
CBTT Sales to Authorized Dealers	2,640.9	1,811.6	576.6	810.0
Net Official Reserves (end of period)	9,933.0	9,465.8	9,671.3	8,950.1

Sources: Central Bank of Trinidad and Tobago, Central Statistical Office and Ministry of Energy and Energy Industries.

* For the period January to March, where partial year data are presented.
** For the period January to April, where partial year data are presented.
*** As at April, where partial year data are presented.
**** As at March,where partial year data are presented.

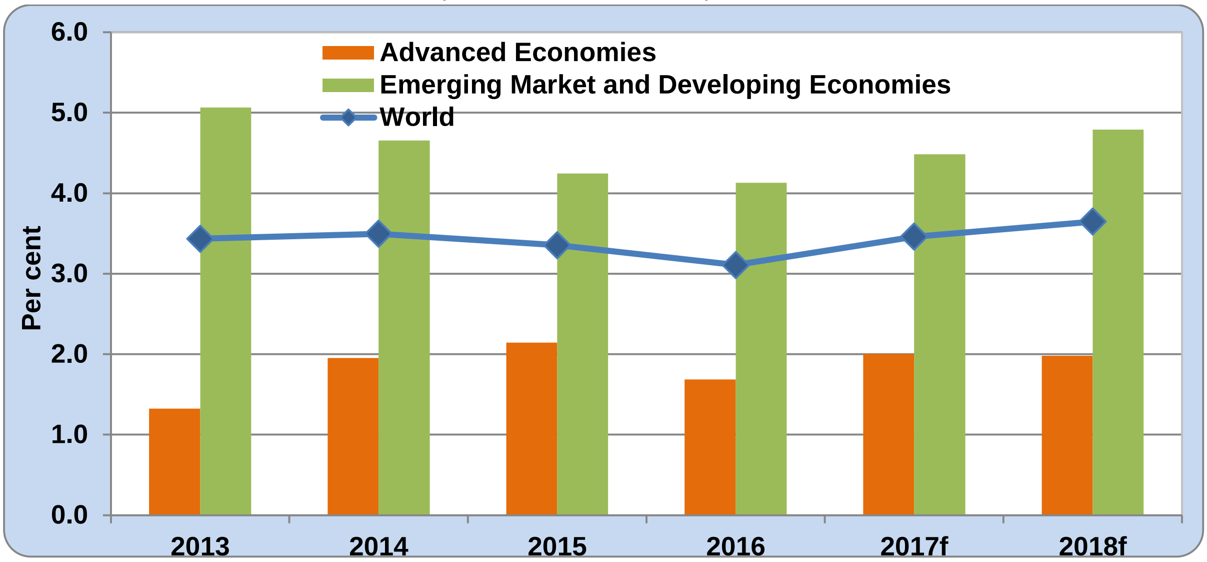
PART II – INTERNATIONAL AND REGIONAL DEVELOPMENTS

INTERNATIONAL

The prospects for global growth have improved. According to the IMF's April 2017 WEO, world growth is expected to rise to 3.5 per cent in 2017 and 3.6 per cent in 2018, slightly upwards from the October 2016 WEO forecasts. In advanced economies (AEs), the pace of economic activity strengthened during the second half of 2016 **(Chart IIa)**. Growth in the US economy was driven by increased business confidence while the UK economy remained resilient despite the uncertainty following the referendum decision in June 2016 in favour of leaving the European Union (Brexit). Economic growth was faster than anticipated in the Japanese economy as a result of strong net exports, as well as in several euro area countries owing to strong domestic demand. Meanwhile monetary policy generally remained accommodative in the AEs in support of economic activity **(Chart IIb)**.

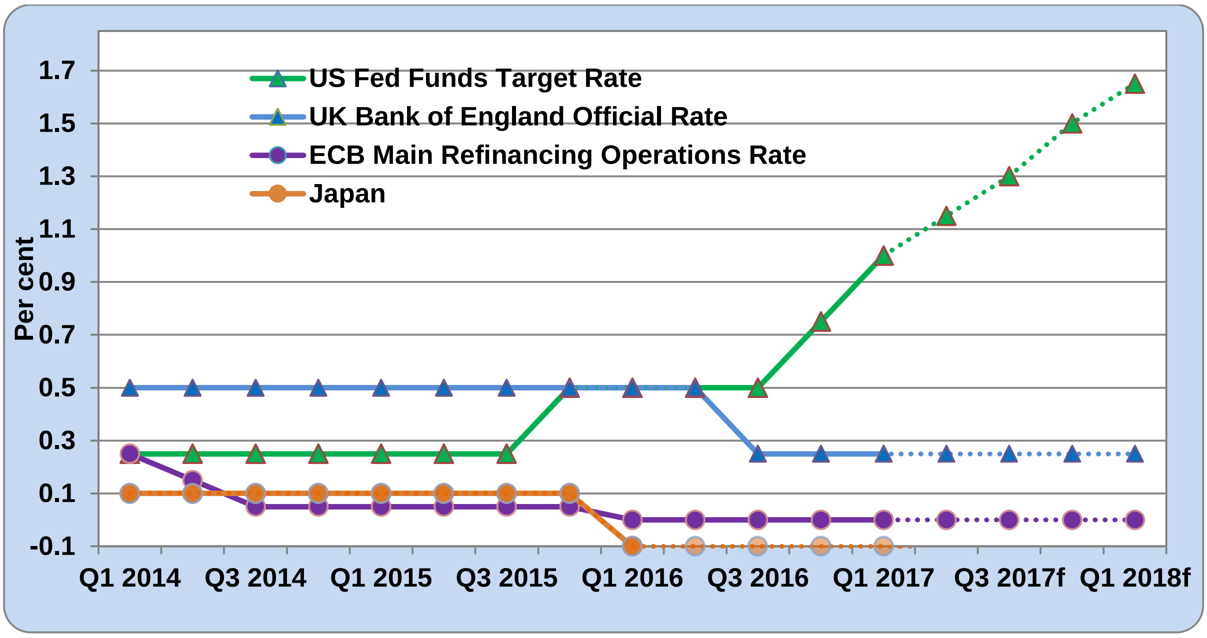
The economic performance of emerging market and developing economies (EMDEs) was mixed in 2016. Although still relatively strong, growth in India slowed during the final quarter of 2016 due to the temporary negative impact of the currency note withdrawal and replacement initiative (demonetization) on consumption spending while economic activity remained firm in China on account of fiscal policy support. The Russian economy was constrained by low crude oil prices, economic sanctions (imposed primarily by the US and the European Union) and subdued domestic demand owing to tight financial conditions. Similarly, the Brazilian economy remained in recession on account of depressed commodity prices and the adverse effects of political uncertainty on investments. However, there are signs that Russia and Brazil are emerging from recession, helped by higher oil prices consequent to the decision of Organization of Petroleum Exporting Countries (OPEC) to reduce crude oil production. Meanwhile, monetary policy in EMDEs generally remained supportive of domestic economic activity and the Central Banks of Russia and Brazil have reduced their policy rates thus far in 2017.

CHART IIA
GLOBAL GROWTH - REAL GDP
(ANNUAL PER CENT CHANGE)



Source: International Monetary Fund, World Economic Outlook (October 2016 and April 2017)

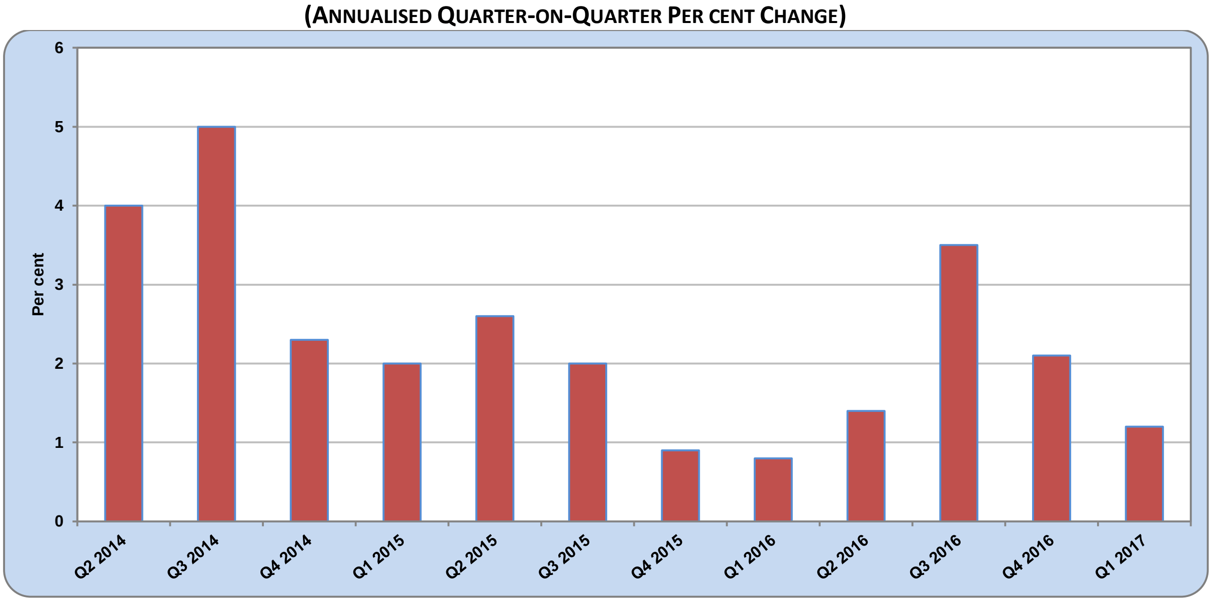
CHART IIB
SELECTED ADVANCED ECONOMIES - POLICY RATES



Source: Bloomberg

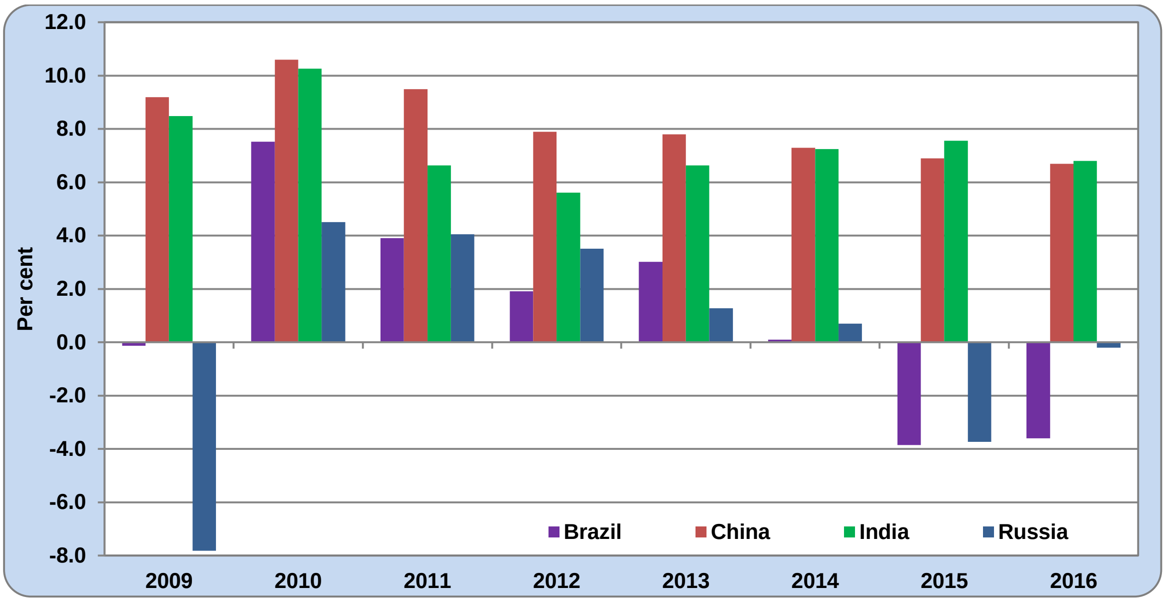
Global economic activity improved during the final quarter of 2016 and into early 2017. Recent data showed that the US economy grew at an annualized rate of 1.4 per cent (quarter-on-quarter) in the first quarter of 2017 following growth of 2.1 per cent in the fourth quarter of 2016. The deceleration in real GDP reflected a slowdown in personal consumption expenditure and downturns in private inventory investment **(Chart IIc)**. In the UK real GDP expanded by 2.0 per cent in the first quarter of 2017 (year-on-year) compared to 1.9 per cent in the previous quarter, mainly due to accelerated activity in the manufacturing, services, and agriculture sectors. Even so, the result of the June 8, 2017 election has added a cloud of uncertainty over the UK's economy owing to the potential impacts on Brexit negotiations, as well as the future path of economic policy. Meanwhile underpinned by robust domestic demand, growth in the Eurozone reached 1.7 per cent (year-on-year) in the first quarter of 2017. In Japan, real GDP expanded by 1.6 per cent (year on year) in the first quarter of 2017 supported by exports, private consumption and capital expenditure. In terms of the BRIC (Brazil, Russia, India and China) countries, growth in India slowed considerably to 6.1 per cent (year-on-year) in the first quarter of 2017 from 7.0 per cent in the fourth quarter of 2016, the lowest growth rate since the final quarter of 2014. This was mainly attributable to a slowdown in consumer spending and a falloff in investment following the demonetization programme in November 2016 **(Chart IId)**. Meanwhile, the Chinese economy expanded by 6.9 per cent (year on-on-year) in the first quarter of 2017 driven by strong fiscal spending, industrial production, retail sales and fixed-asset investment. The Russian economy benefited from an increase in crude oil prices and grew by 0.5 per cent in the first quarter of 2017, following an expansion of 0.3 per cent in the previous quarter. There are signs that the Brazilian economy is emerging from recession as it contracted by 0.4 per cent (year-on-year) in the first quarter of 2017 compared with 2.5 per cent in the fourth quarter of 2016.

CHART IIC
US REAL GDP GROWTH
(ANNUALISED QUARTER-ON-QUARTER PER CENT CHANGE)



Source: Bloomberg

CHART IID
BRIC COUNTRIES - ANNUAL REAL GDP GROWTH



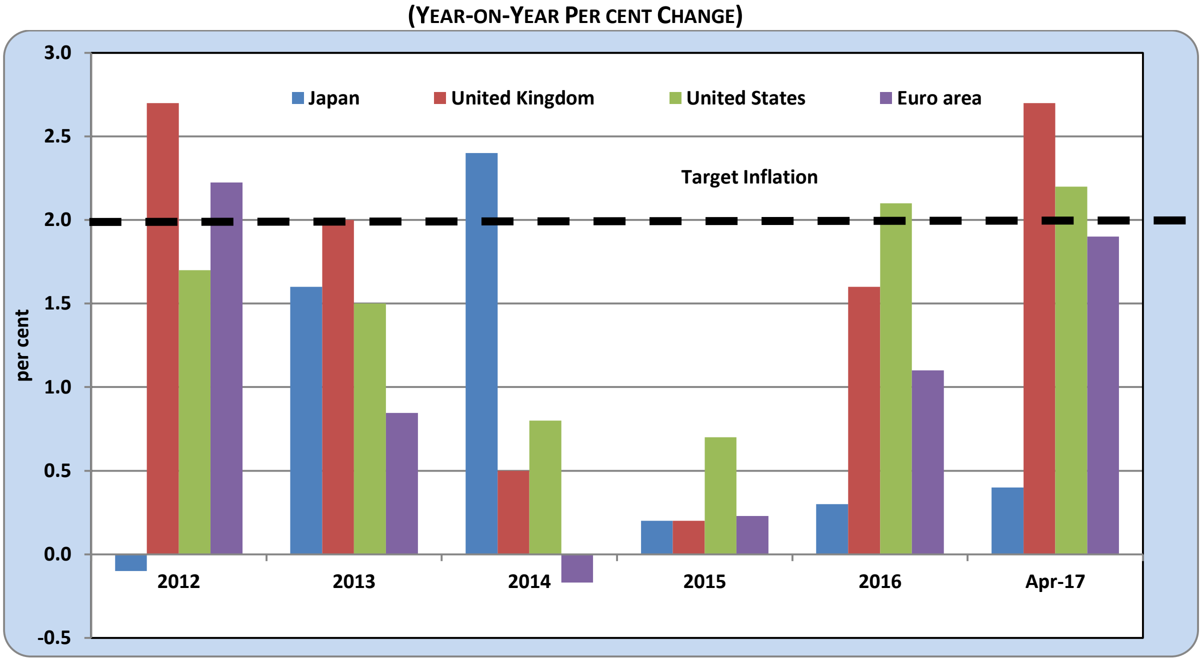
Source: International Monetary Fund, World Economic Outlook October 2016 and April 2017

The general improvement in economic activity in 2017 so far is being reflected in the strengthening of the labour markets. In the AEs, the unemployment rate continued to fall with the US, UK and Japan recording rates below 5.0 per cent, and the rate falling under 10.0 per cent for the Eurozone. Similarly, amongst the EMDEs, the unemployment rate trended downwards except in Brazil which recorded an increase to 13.6 per cent in the quarter ended April 2017 from 12.6 per cent in the three months to January 2017.

Crude oil prices and several crude oil product prices strengthened following an OPEC-led deal in December 2016 to cut production. Since December 2016 crude oil prices rose above $50/bbl and have averaged just above this level for the first five months of 2017, despite some short-term volatility arising from US shale oil production and geopolitical rumblings in the Middle East. Price trends for the rest of 2017 will depend heavily on the response of US shale oil production to the decision by OPEC to extend its production cuts by a further nine months beyond June 2017. Natural gas prices at the Henry Hub have strengthened since the mid-2016 as a result of declining production in the US and increased demand for electricity (for air conditioning in summer months and heating in winter months). The price averaged $3.0 per mmbtu over January to May, 2017, up from $2.0 per mmbtu a year earlier. Global markets for natural gas are expected to remain relatively strong over the coming months given the upcoming summer demand period. The closure of two Trinidad and Tobago methanol plants has added to the upward momentum in methanol prices. On the demand side, China continues to consume increasing amounts of the product as the country expands its methanol-to-olefin production capacity. Methanol prices averaged $416.6 per tonne in the first five months of 2017, an increase of 49.2 per cent year-on-year. Over the next few months, prices should remain relatively strong given continued high demand and persistent supply shortage.

Inflationary pressures receded after an initial surge in early 2017 (Chart IIe). In terms of AEs, the UK's consumer price inflation accelerated to 2.9 per cent in May 2017, above the Central Bank's target inflation rate of 2.0 per cent, driven by increases in recreational and cultural goods and services. However, inflationary pressures were moderate in other AEs. In Japan, the inflation rate edged up to 0.4 per cent in April 2017 on account of increases in the cost of food and transport. In the US and the Euro area, consumer prices eased primarily due to slower increases within the energy indices. Amongst the EMDEs, most inflation rates remained below their respective Central Bank's target. In China, inflation increased modestly to 1.5 per cent in May 2017 while in Russia the rate stood at 4.1 per cent in May 2017, unchanged from the previous month.

CHART IIE
SELECTED ADVANCED ECONOMIES - HEADLINE INFLATION
(YEAR-ON-YEAR PER CENT CHANGE)



Source: Bloomberg

Monetary policy has generally remained accommodative with the aim of stimulating domestic economic activity. In the AEs, in June 2017 the US Fed increased its target range for the federal funds rate from 1.00 per cent to 1.25 per cent. However, the Bank of England, the Bank of Japan (BOJ), and the European Central Bank took no new monetary actions in their latest meetings. In the EMDEs, the Central Banks of India and China maintained their key policy rates while the Central Banks of Russia and Brazil reduced their key policy rates to 9.25 per cent and 10.25 per cent, respectively.

LATIN AMERICA AND THE CARIBBEAN REGION

The economic outturn in the Latin America and Caribbean (LAC) region for 2016 was weaker than expected as lacklustre growth from Brazil's deepest recession coupled with the economic and political tensions in Venezuela continue to weigh on the region. According to the IMF WEO April 2017, the LAC region recorded an economic contraction of 1.0 per cent for 2016 despite the modest positive economic performances in other larger Latin American countries such as Chile, Colombia, Mexico and Peru. The IMF forecasts that economic growth in the region would recover to 1.1 per cent in 2017, 0.5 percentage point lower than was expected in the October 2016 WEO. However, the recovery is largely dependent on the strength of external markets and the region's capacity to address macroeconomic challenges.

Current account deficits narrowed in the Latin American region as exports rebounded based on increases in international energy prices in 2016. Countries such as Peru and Colombia experienced modest appreciation in their currencies relative to the US dollar in early 2017 as a result of renewed optimism over the ability of OPEC members to maintain production cuts. Meanwhile, Mexico's currency depreciated amidst concerns about possible policy changes of the new US administration. The currency had recovered somewhat by June 2017 **(Chart IIi)**. Several Latin American Central Banks retained their accommodative monetary policy stance in order to support economic growth whilst Mexico continued to tighten its monetary policy in order to constrain its accelerating inflation rate in May 2017 **(Table IIa).** Despite a general trend of deceleration in consumer prices of Latin American countries, inflation rates in Mexico, Colombia and Peru remained above their respective Central Bank's targets (**Chart IIj).**

Economic performances were mixed in the Caribbean in 2016. According to the IMF Regional Economic Outlook released in May 2017, economic growth in the tourism dependent economies[1] expanded by 1.4 per cent while commodity exporting economies[2] contracted by 4.8 per cent in 2016. Some Caribbean economies continue to grapple with persistent current account deficits and declining foreign exchange reserves in early 2017.

Monetary policy in the Caribbean remained broadly accommodative to support economic growth. The Bank of Guyana (BoG) maintained its policy interest rate at 5.0 per cent during the quarter

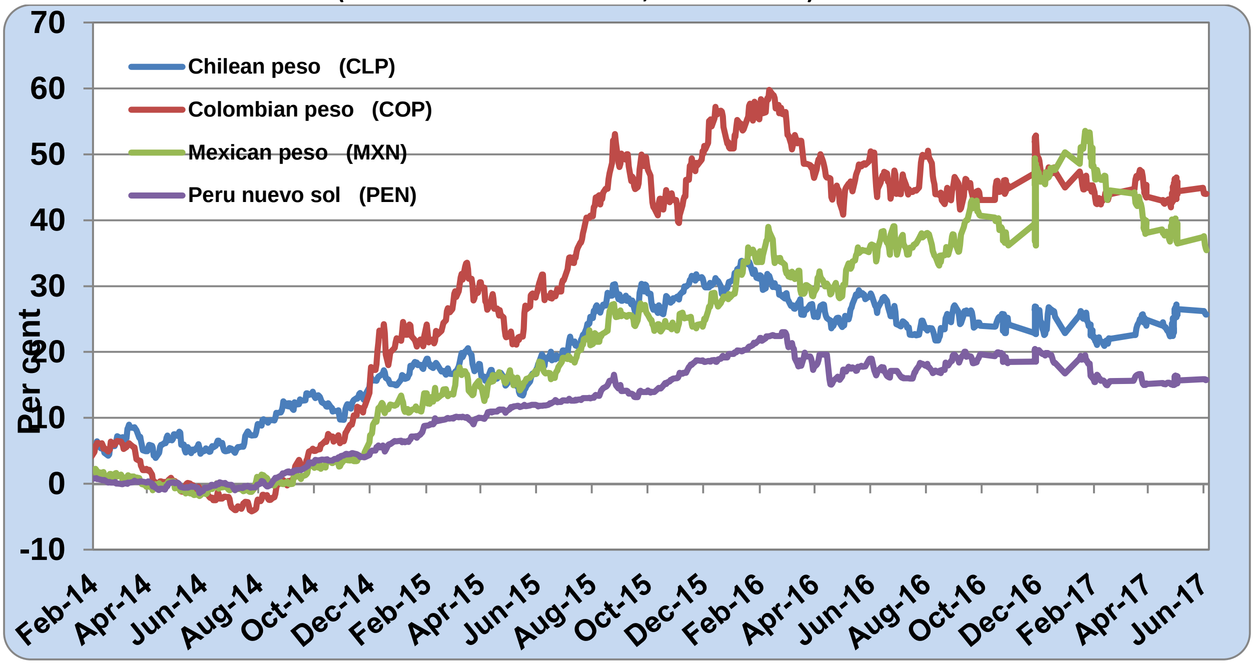
[1] Tourism Dependent economies include The Bahamas, Barbados, Jamaica and the Eastern Caribbean Currency Union (ECCU).
[2] Commodity exporting economies include Belize, Guyana, Suriname and Trinidad and Tobago.

ending December 2016 and more recently the Bank of Jamaica (BoJ) reduced its key policy rate by 25 basis points to 4.75 per cent in April 2017. Jamaica's inflation rate registered 4.8 per cent (year-on-year) in April 2017 and was within the BoJ's newly adjusted inflation rate target range of 4.0 - 6.0 per cent for fiscal year 2017/2018[3]. Meanwhile, the Central Bank of Barbados (CBB) tightened its monetary policy stance, effective mid-June 2017, by increasing the Barbados Dollar securities reserve requirement ratio by 5 percentage points to 15.0 per cent, its first change in a decade. The change in the monetary stance of the CBB is aimed at decreasing the excess liquidity in the banking system.

Increased fiscal challenges in a few Caribbean economies resulted in sovereign downgrades by international credit rating agencies in 2017. The decision by Fitch Ratings and Standard and Poor's (S&P) to downgrade Suriname's sovereign credit ratings reflected the economy's worsening economic strength and debt profile. S&P lowered Suriname's credit ratings to 'B' in April 2017 following a similar downgrade by Fitch Ratings to 'B-' from 'B+' in February 2017 with a negative medium term outlook. Meanwhile, both Moody's and S&P downgraded the long-term sovereign credit ratings of Barbados and Trinidad and Tobago, citing increasing government debt levels and a slower than expected pace toward fiscal consolidation. In March 2017, Moody's lowered Barbados long-term foreign and local currency sovereign credit ratings to 'Caa3' from a 'Caa1' and maintained a stable outlook while S&P lowered its rating to 'CCC+' from 'B-' with negative outlook. In April 2017, Moody's lowered Trinidad and Tobago's sovereign credit ratings to 'Ba1' from a 'Baa3' while S&P lowered its ratings to a 'BBB+' from 'A-' with a stable outlook in the medium term. Despite the downgrade, Trinidad and Tobago's sovereign rating by S&P remains within investment grade.

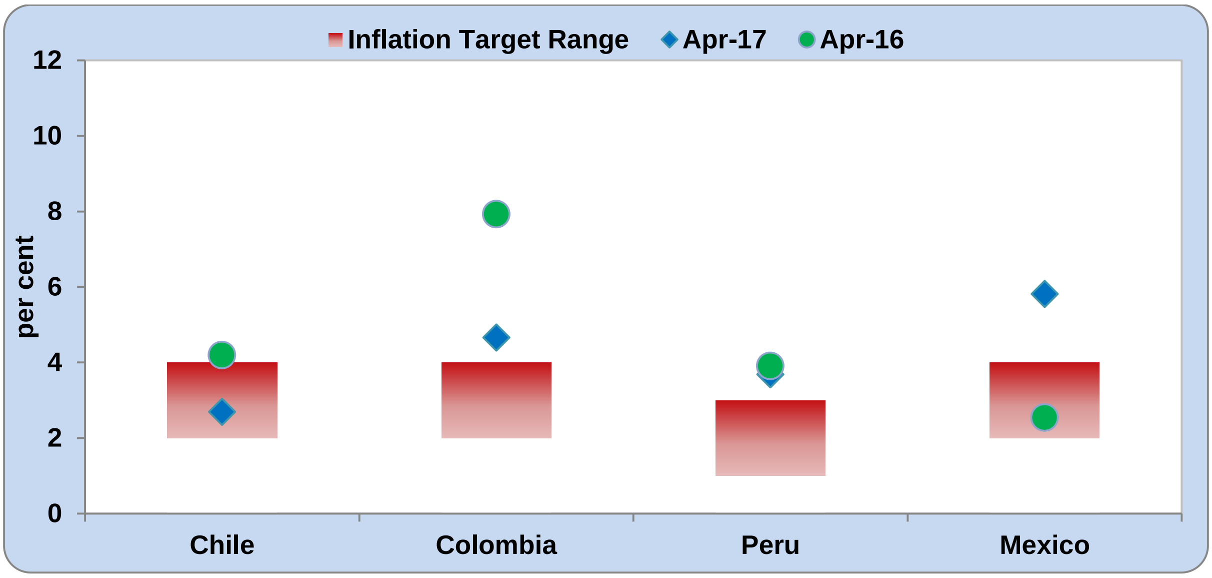
[3] Jamaica's fiscal year runs from 1 April - 31 March.

CHART IIF
SELECTED LATIN AMERICAN COUNTRIES - EXCHANGE RATES
(CUMULATIVE PER CENT CHANGE, INVERTED SCALE)



Source: International Monetary Fund

CHART IIG
SELECTED LATIN AMERICAN COUNTRIES - INFLATION TARGET



Sources: Bloomberg, Banco Central de Chile, Banco Central de Colombia, Central Reserve Bank of Peru and Banco de Mexico

Table IIA
Selected Key Central Bank Policy Rates in the Region
(Per Cent Per Annum)

	Current Rate[1]	Last Change	Amount of Change
Chile	2.50	May 2017	-0.25
Colombia	6.25	May 2017	-0.25
Peru	4.00	May 2017	-0.25
Mexico	6.75	May 2017	+0.25
Brazil	10.25	May 2017	-1.00

Sources: Banco Central de Chile, Banco Central de Colombia, Central Reserve Bank of Peru, Banco de Mexico and Banco Central do Brasil
[1] As at June 13, 2017

Part III – Domestic Economic Conditions

a) Economic Activity

The energy sector continued to decline in the fourth quarter of 2016 with spillovers to the rest of the economy (Charts IIIa). Crude oil production fell by 4.2 per cent (year-on-year) in the fourth quarter as output from several key producers declined. Meanwhile, natural gas output declined 10.8 per cent following a sharper decline of 19.9 per cent in the third quarter of 2016 when there was downtime to facilitate tie-in of bpTT's Juniper field. A shortage of natural gas from the upstream sector caused downstream producers to scale back their operations. As a result, LNG output declined 8.5 per cent (year-on-year), while fertilizer and methanol production fell by 1.5 per cent and 24.2 per cent, respectively. The large reduction in methanol output reflected a shutdown of the M5000 plant in October 2016 and the TTMC I, TTMC II and CMC plants in December 2016 on account of limited feedstock gas supplies.

Data for the energy sector revealed a downturn in production during the first quarter of 2017. Crude oil production declined 0.5 per cent, year on year, to an average of 74,343 barrels of oil per day (BOPD) while natural gas production declined 8.5 per cent to 3,286 mmscf/d compared to the corresponding period one year earlier. The falloff in production was largely on account of downtime at one of the larger producers in March. The reduced availability of natural gas translated into a falloff in output of both natural gas liquids (9.1 per cent) and LNG (6.8 per cent). Methanol production fell by 11.6 per cent as both the TTMC I and CMC plants were offline. Meanwhile, exploration activity rebounded during the first quarter of 2017 (year-on-year) as rig days and depth drilled rose by 14.5 per cent and 28.8 per cent, respectively. Depth drilled was reported at 56,309 feet in January 2017, the highest monthly level since March 2008. This increase came about as EOG Resources continued work on the Sercan field. In January 2017 alone, the company drilled a total depth of 19,445 feet compared to 21,260 feet for all of 2016.

Indicators of construction, manufacturing and distribution activity monitored by the Central Bank suggest that activity in the non-energy sector remained lethargic during the fourth quarter of 2016. Construction activity was particularly depressed. The indicators for this sector showed significant declines: sales of cement and mined aggregates fell by 15.9 per cent and 15.5 per cent, respectively while retail sales of hardware and construction materials declined by 25.6 per cent. The slowdown of construction activity was partly associated with contractions in government expenditure on capital projects[4] . In respect of the first quarter of 2017, preliminary data suggest that activity in the construction sector remained sluggish. For example, local sales of cement and mined aggregates fell more sharply by 16.6 per cent and 28.9 per cent, respectively, (year-on-year) over the period January to March 2017. The weakness in construction activity had knock-on effects on the production of construction-related products. Cement production fell by 2.7 per cent while partial data on the production of ready-mix concrete[5] also show a decline. Central Bank surveys of production activity in the food processing industry indicate that production declined by 4.4 per cent in the fourth quarter of 2016.

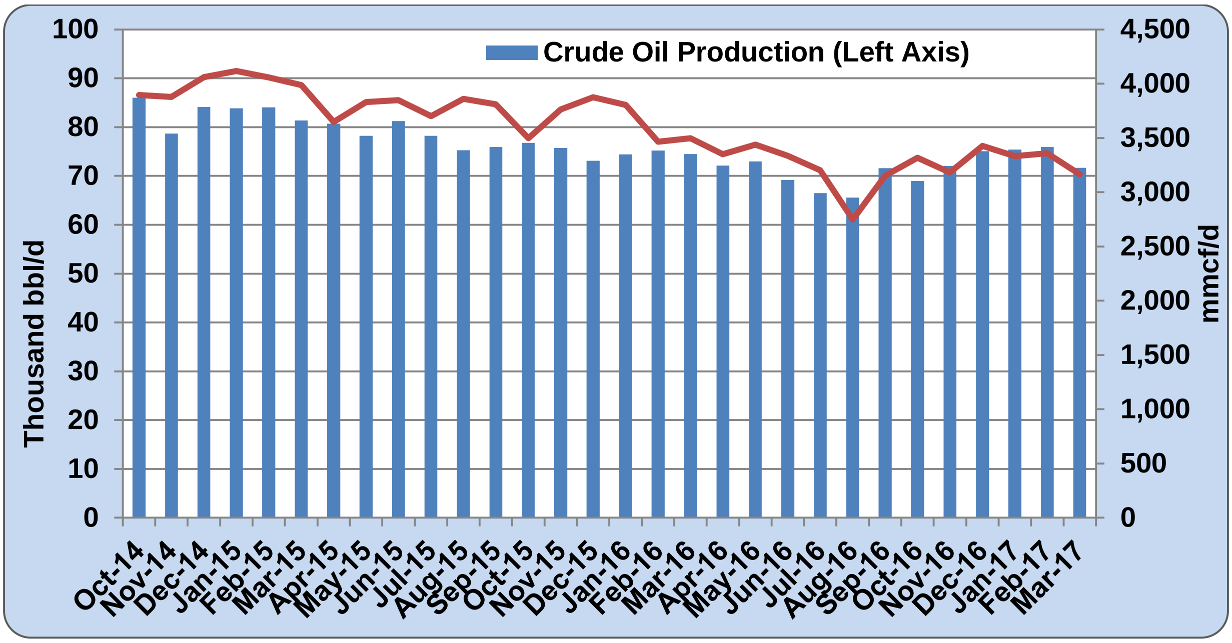
Indicators of economic activity within the distribution sector also suggest that the sector may have weakened year-on-year in the fourth quarter of 2016. The Central Statistical Office's (CSO's) Index of Retail Sales which is a major indicator of distribution activity, contracted by 4.1 per cent during the fourth quarter of 2016 largely owing to declining sales of motor vehicles and parts, and household appliances, furniture and other furnishings. Weaknesses also emerged in other areas of distribution, such as in the sales of dry goods and sales at supermarkets, which grew at a slower rate than in the fourth quarter of 2015. Partial data for the first quarter of 2017 suggest that distribution activity remained subdued.

On the positive side, there was evidence of some increase in activity in the finance (0.9 per cent) and electricity and water (0.6 per cent) sectors. The finance, real estate and insurance sector continued to expand on the strength of positive, though slowing growth in deposit and credit activity within the commercial banking system. Following four quarters of decline mainly associated with reduced electricity demand from the iron and steel industry, the production of electricity and water sector picked up slightly in the final quarter of 2016. However, initial indicators of activity in the first quarter of 2017 point to a slowdown in the output from the finance and electricity sectors. During the period January to March 2017, the growth of commercial bank activity slowed and activity in the insurance sector contracted, while the closure of four methanol plants contributed to a decline in electricity generation.

[4] Expenditure on the public sector investment programme (PSIP) declined by 44.6 per cent (year-on-year) during the fourth quarter of 2016 to $325.8 million.

[5] Ready-mix concrete refers to concrete that is manufactured in a factory and then delivered to a work site.

CHART IIIA
CRUDE OIL AND NATURAL GAS PRODUCTION



Source: Ministry of Energy and Energy Industries

b) Prices

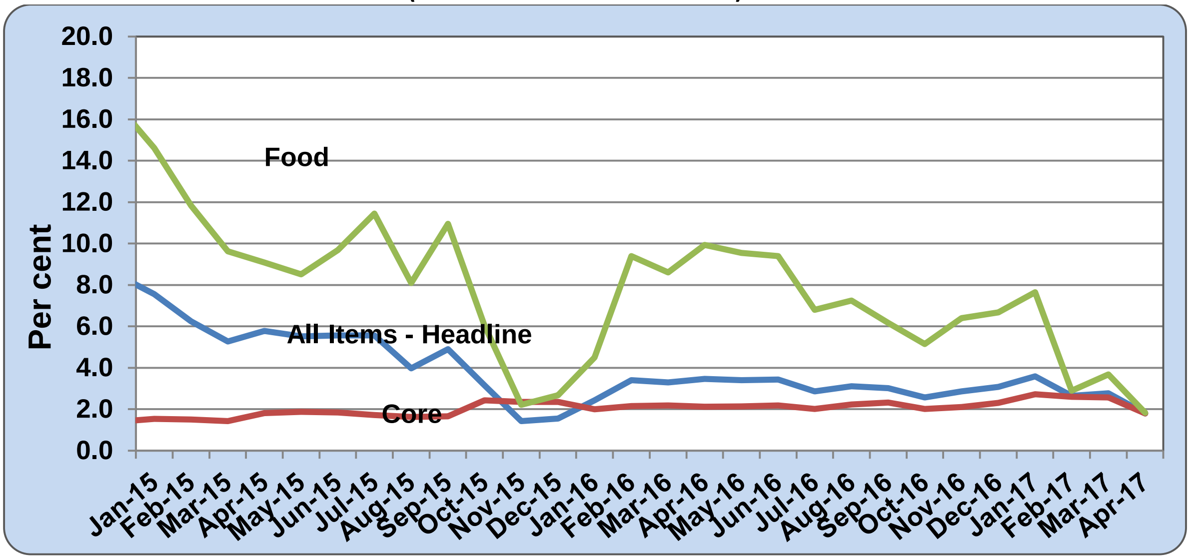
Retail Prices

Since the last Monetary Policy Report in November 2016, inflationary pressures have remained contained. Data from the CSO's Index of Retail Prices (RPI) indicate that headline inflation measured 1.8 per cent on a year-on-year basis in April 2017, down from 2.6 per cent in October 2016 **(Chart IIIb)**. The slower economic growth appears to have moderated demand pressures, supporting the slowdown in headline inflation.

Chart IIIb

Index of Retail Prices

(Year-on-Year Per cent Change)

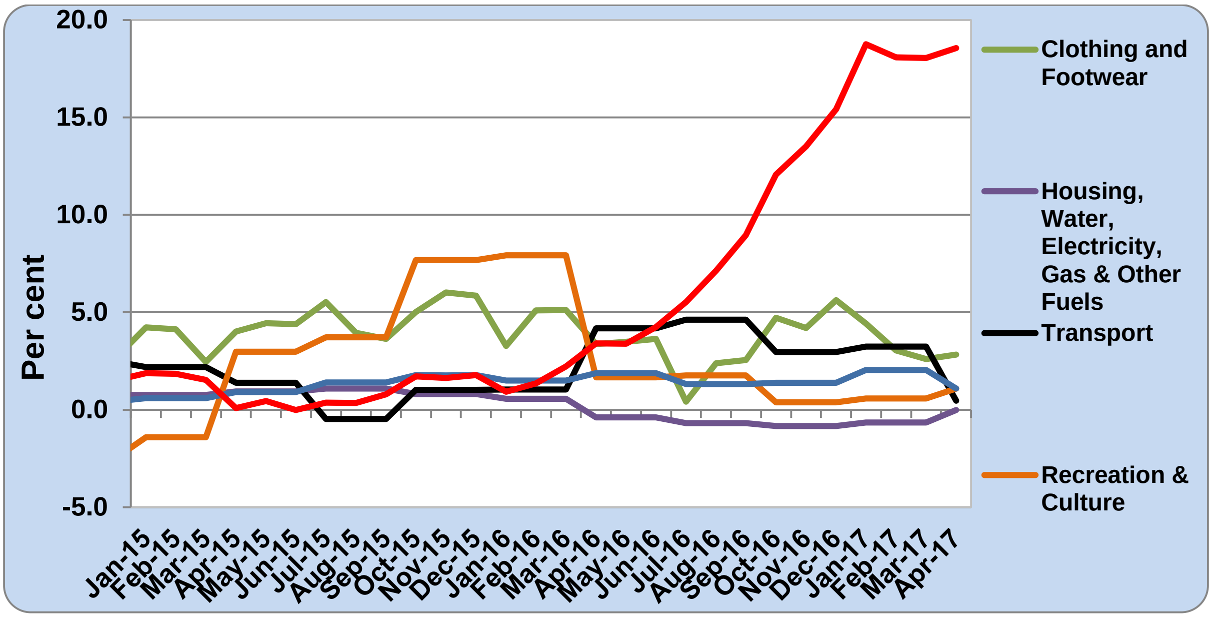


Source: Central Statistical Office

Core inflation fell sharply in April 2017, after moderate increases over the preceding six-month period. On a year-on-year basis, core inflation, which excludes food prices, measured 1.8 per cent in April 2017, compared with 2.6 per cent in March 2017 and 2.0 per cent in October 2016. The deceleration may reflect lower demand pressures as well as the end of a base effect related to the increases in prepaid mobile phone charges and taxi fares in April 2016 which impacted the communication and transportation sub-indices. Inflation accelerated in the health sub-index while the alcoholic beverages and tobacco sub-index also increased due to the impact of increases of excise taxes on alcohol (20 per cent) and tobacco (15 per cent) **(Chart IIIc)**.

CHART IIIc

INDEX OF RETAIL PRICES - COMPONENTS OF CORE INDEX

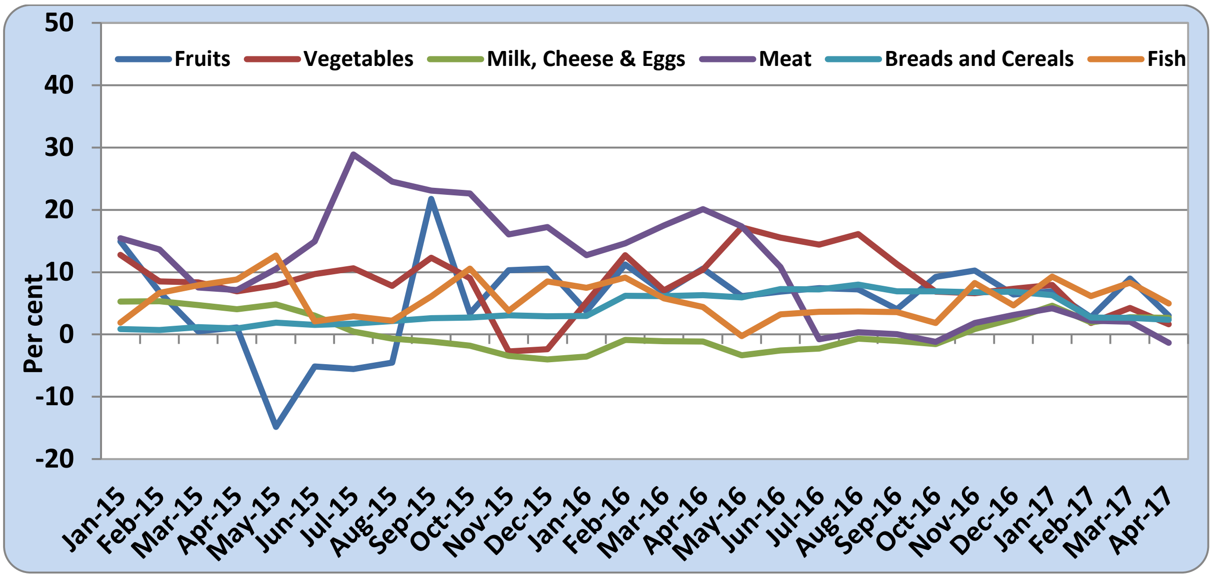


Source: Central Statistical Office

Food inflation was lower over the three-month period to April 2017, compared to January 2017. Food inflation slowed to 1.8 per cent on a year-on-year basis in April 2017 from 7.6 per cent in January 2017 and 5.1 per cent in October 2016 **(Chart IIId)**. The slowdown in food inflation may partly reflect the end of the base effect created in February 2016 when VAT was reintroduced on a range of food items which were previously zero rated. The deceleration was driven by declines in meat prices and slower price increases in the fish, vegetables, food products NEC (not elsewhere classified) and fruit sub-indices in April 2017.

Chart IIId

Index of Retail Prices - Components of Food Sub-Index



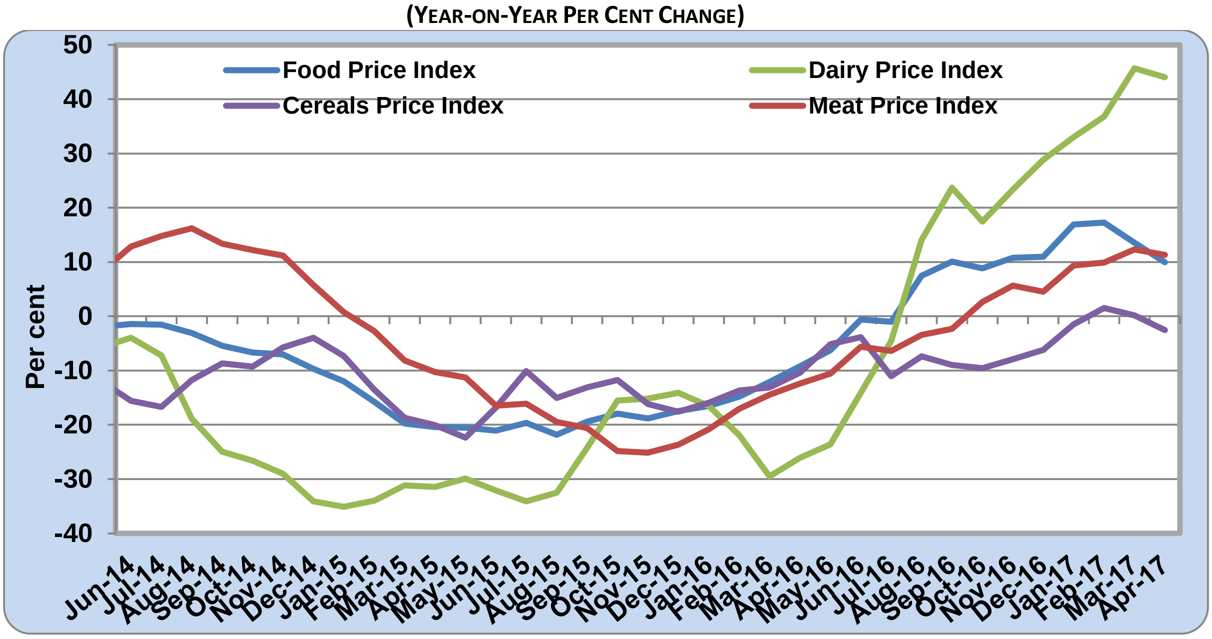
Source: Central Statistical Office

After trending upwards over 2016 and early 2017, the Food and Agriculture Organisation's (FAO) Food Price Index slowed over the three months to May 2017. On a year-on-year basis the overall price index rose by 10.2 per cent (year-on-year) in May 2017, compared with a 16.9 per cent increase in January 2017. The slowdown was driven by declines in the sugar and cereals prices sub-indices **(Chart IIIe)**.

Chart IIIe

FAO Food Price Index

(Year-on-Year Per Cent Change)



Source: Food and Agriculture Organization

Producers' Prices

After slowing in late 2016, producer price inflation picked up over the first half of 2017. The Index of Producers' Prices (PPI) of the CSO, which is an indicator of wholesale prices, increased by 2.8 per cent (year-on-year) in March 2017 and 2.2 per cent in June 2017. The rise in the producer prices in June 2017 was driven by a 6.6 per cent growth in the Drink and Tobacco sub-index, mainly reflecting higher prices of raw materials in tobacco production. The food processing sub-index rose on account increases in the producer prices of fruits, vegetables, vegetable oils and fats. The chemical and non-metallic products sub-index also recorded a smaller increase due to rises in producer prices of industrial gases and paints.

Building Materials' Prices

The slow pace of activity in the construction sector continued to impact domestic prices of building materials in early 2017. The Index of Retail Prices of Building Materials produced by the CSO, fell by 0.6 per cent (year-on-year) in the first quarter of 2017 as prices declined in the sub-indices related to site preparation, structure and concrete frame, plumbing and plumbing fixtures and finishing, joinery units and painting and external works.

c) Labour Market

Official unemployment statistics from the CSO revealed that the unemployment rate[6] measured 4.0 per cent during the third quarter of 2016. This represents a lower unemployment rate from the previous quarter (4.4 per cent), but a higher rate than the 3.4 per cent recorded in the corresponding quarter of 2015. During the twelve months to September 2016, the number of persons with jobs fell by 6,600 persons while the number of persons unemployed increased by 3,600 persons which suggests that workers left the labour force. The labour force contracted by 2,900 persons and the participation rate[7] edged down to 59.8 per cent in the third quarter of 2016 from 60.3 per cent in the third quarter of 2015. The fall in the participation rate may partly reflect the withdrawal of some persons from the labour force, who might have been finding difficulty in obtaining jobs.

There is evidence that wage pressures are lessening in tandem with the softening labour market. Collective agreements registered with the Industrial Court of Trinidad and Tobago show that the median increase in wages in 2016 slowed to 4.00 per cent, down from a median wage increase of

[6] The unemployment rate is calculated as persons without jobs divided by the labour force. The labour force is the sum of persons with jobs and persons without jobs who are actively seeking employment.

[7] The participation rate is calculated as the labour force divided by the non-institutional population who are 15 years old and older.

4.25 per cent in 2015. Meanwhile, the Index of Average Weekly Earnings (AWE)[8] which measures the level of average wages and salaries declined by 1.9 per cent in 2016 compared with an increase of 5.8 per cent in 2015. During the first quarter of 2017, the Index of Average Weekly Earnings continued on a similar trend, declining by 1.2 per cent year-on-year. As average earnings declined so too did hours worked. Alongside the fall in the Index AWE observed in 2016, the Index of Hours Worked also declined, by 5.3 per cent (year-on-year) in 2016.

During the latter half of the 2016 and the first quarter of 2017, labour productivity in the manufacturing sector declined (11.2 per cent year-on-year) largely owing to a fall in domestic production which outstripped the fall in hours worked. Labour productivity in the manufacturing sector is measured by the Index of Productivity which is calculated as the ratio of the Index of Domestic Production to the Index of Hours Worked. The Index of Domestic Production fell by 14.7 per cent (year-on-year) over the last two quarters of 2016, compared to a fall of 3.9 per cent (year-on-year) in the Index of Hours Worked over the similar period. The fall in labour productivity reflected in the main the decline in domestic production in the midst of the slowing economy. Declines in both production and hours worked were observed in most industries. However, the closure of the ArcelorMittal steel plant reflected the largest decline in domestic production (92.3 per cent year-on-year) as well as the largest decline in hours worked (61.8 per cent year-on-year) during the second half of 2016 as over 600 workers from the ArcelorMittal plant were laid off. During the first quarter of 2017, the Index of Productivity declined by 7.6 per cent (year-on-year) owing to a smaller decline in the Index of Domestic Production (8.1 per cent), while the Index of Hours Worked fell by 0.5 per cent.

d) Fiscal Operations

Central Government fiscal operations remained challenged. According to data provided by the Ministry of Finance, the Central Government recorded a deficit of $6.9 billion[9] in the first half of FY 2016/17 (October 2016–March 2017) compared with a deficit of $3.1 billion in the corresponding period one year earlier **(Table IIIa)**. The larger deficit was mainly due to lower non-energy and capital revenues than in the first half of FY 2015/16. The non-energy fiscal deficit reached $9.8 billion in the first half of FY 2016/17 from $5.7 billion in the corresponding period of FY 2015/16.

[8] The Index of Average Weekly Earnings, which is computed by the Central Statistical Office, is based on surveyed companies' employment and wage bill. The average weekly earnings is calculated as the earnings (total amount paid to employees) divided by the number of employees.

[9] This deficit does not take into account the approximately $1.5 billion in revenue held in the suspense Account at the Treasury.

Central Government's total revenue was lower by 24.0 per cent in the first half of FY2016/17, despite energy receipts being higher than in the corresponding period in the previous fiscal year. Total revenue amounted to $16.6 billion in the six months to March 2017, which was approximately $4.0 billion lower than in the corresponding period of FY2015/16. Energy revenue increased by 13.8 per cent due to higher international oil and gas prices over the first half of FY 2016/17. Crude oil West Texas Intermediate (WTI) prices averaged US$50.45 per barrel during the period October 2016 – March 2017. Prices in excess of US$50.00 would have attracted Supplemental Petroleum Tax (SPT)[10] receipts in the first half of FY 2016/17. Non-energy receipts fell by 31.6 per cent to $13.0 billion largely on account of a significant fall-off in non-tax revenue. Non-tax receipts were higher in the first half of FY 2015/16 than in the comparative period of FY 2016/17 due in part to the collection of $2.0 billion in one-off revenues from the sale of CLICO assets. Lower VAT collections and revenue from taxes on international trade also contributed to the lower revenue outturn in the first half of FY 2016/17.

Government expenditure in the first half of FY 2016/17 amounted to $23.5 billion, which was $239.6 million less than the comparative period of FY 2015/16. The reduction in expenditure spanned both recurrent and capital expenditure. Recurrent expenditure fell marginally to $22.5 billion due to cutbacks in discretionary items particularly within current transfers. Transfers and subsidies were lower by approximately $1.2 billion mainly due to the falloff in petroleum subsidy payments. Petroleum subsidy payments amounted to $98.0 million in the first half of FY 2016/17 compared to $150.2 million in the comparative period of FY 2015/16, reflecting in part earlier measures to increase the price of fuels at the pump. Outlays on wages and salaries increased by $829.1 million to $5.3 billion due to payments of revised salaries and cost of living allowances (COLA) under the new collective agreement for the Ministry of National Security and the Trinidad and Tobago Police Service. Additionally, interest payments rose by $290.2 million mainly due to higher debt servicing costs related to larger domestic debt[11]. Meanwhile, spending on capital projects waned due to delays in the implementation of projects and variation in some projects. Expenditure on capital programmes reached $1 billion for the first six months of FY 2016/17 compared with $1.2 billion one year earlier. The amount budgeted for capital spending for the entire fiscal year is $5.1 billion.

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[10] The Supplemental Petroleum Tax (SPT) is a tax imposed on the gross income from the production and sale of crude oil and is aimed at capturing a greater share of the windfall gains from high prices. The SPT rates vary on a sliding scale from 0 per cent below US$50 per barrel to as much as 55 per cent if the oil price exceeds US$200.00 per barrel.

[11] Central Government Domestic Debt (excluding debt issued for sterilization purposes) was estimated to have increased to $38.4 billion, in March 2017, compared with $36.2 billion in December 2016.

The Central Government drew down on the Heritage and Stabilization Fund (HSF) and borrowed domestically to help finance its operations during the first six months of the fiscal year. The Government withdrew US$251 million (TT$ 1.7 billion) from the HSF on March 16, 2017. This was the second drawdown from the HSF since it was established in March 2007. In addition, the Government borrowed a total of $3.5 billion on the domestic capital market through the issuance of three bonds. The Mid-Year Budget Review noted that the new borrowings have increased the public sector debt to GDP ratio (excluding sterilized debt) by one percentage point from 60.1 per cent at the end of FY 2015/16 to 61.1 per cent of GDP at the end of March 2017.

TABLE IIIA
SUMMARY OF CENTRAL GOVERNMENT FISCAL OPERATIONS
/TT$ MILLIONS/

	2012/2013	2013/2014	2014/2015	2015/2016	Oct.15/Mar.16	Oct.16/Mar.17	2016/2017rb	2016/2017b
Revenue	**52,760.1**	**58,378.7**	**57,233.7**	**44,972.6**	**20,645.8**	**16,644.5**	**48,012.0**	**47,441.3**
Current		57,062.2	52,244.5	41,158.9	19,684.2	15,969.2	38,891.4	38,701.2
Energy	26,603.6	28,070.5	18,660.9	6,644.4	2,534.1	2,941.1	7,734.0	6,530.6
Non-Energy	26,156.6	28,950.6	33,583.7	34,514.5	17,150.1	13,028.0	31,157.4	32,170.6
Capital		1,316.5	4,989.2	3,813.7	961.6	675.3	9,120.6	8,740.1
Expenditure	**57,668.5**	**62,820.9**	**59,943.7**	**52,944.7**	**23,788.6**	**23,549.1**	**53,885.8**	**53,475.1**
Current	49,228.7	54,386.3	52,322.9	48,546.4	22,598.8	22,536.5	49,274.1	48,375.1
Wages and salaries	9,171.5	8,590.8	10,077.1	9,601.9	4,458.5	5,287.7	10,551.9	10,601.4
Goods and services	7,180.1	8,008.8	8,105.4	7,326.1	2,611.0	2,586.0	7,044.0	6,787.1
Interest payments	2,808.7	3,122.6	3,438.4	3,762.4	1,414.7	1,704.9	3,845.0	3,675.7
Transfers and subsidies1	30,068.4	34,664.1	30,702.0	27,856.1	14,114.5	12,957.8	27,833.2	27,310.9
Capital expenditure and net lending2	8,439.8	8,434.6	7,620.8	4,398.3	1,189.9	1,012.6	4,611.7	5,100.0
Overall Non-Energy Balance	**-31,512.0**	**-32,553.4**	**-21,233.6**	**-14,616.5**	**-5,677.0**	**-9,845.7**	**-13,607.8**	**-12,564.4**
Overall Balance	**-4,908.4**	**-4,442.2**	**-2,709.9**	**-7,972.1**	**-3,142.8**	**-6,904.5**	**-5,873.8**	**-6,033.8**
Total Financing (Net)	**4,908.4**	**4,442.2**	**2,709.9**	**7,972.1**	**3,142.8**	**6,904.5**	**5,873.8**	**6,033.8**
Net Foreign Financing	-155.1	3,312.4	-199.2	8,954.0	-137.1	1,491.1	5,167.0	1,538.8
Net Domestic Financing	5,063.5	1,129.8	2,909.0	-981.9	3,279.9	5,413.4	706.8	4,495.0
	PER CENT OF GDP							
Revenue	**31.2**	**34.7**	**37.0**	**30.6**	**-**	**-**	**31.1**	**30.7**
Current		**33.9**	**33.8**	**28.0**	**-**	**-**	**25.2**	**25.1**
Energy	15.7	16.7	12.1	4.5	-	-	5.0	4.2
Non-energy	15.5	17.2	21.7	23.5	-	-	20.2	20.8
Capital								
Expenditure	**34.1**	**37.3**	**38.8**	**36.0**	**-**	**-**	**34.9**	**34.6**
Current	29.1	32.3	33.8	33.0	-	-	31.9	31.3
Wages and salaries	5.4	5.1	6.5	6.5	-	-	6.8	6.9
Goods and services	4.2	4.8	5.2	5.0	-	-	4.6	4.4
Interest payments	1.7	1.9	2.2	2.6	-	-	2.5	2.4
Transfers and subsidies	17.8	20.6	19.9	19.0	-	-	18.0	17.7
Capital expenditure and net lending	5.0	5.0	4.9	3.0	-	-	3.0	3.3
Overall Non-Energy Balance	**-18.6**	**-19.3**	**-13.7**	**-9.9**	**-**	**-**	**-8.8**	**-8.1**
Overall Balance	**-2.9**	**-2.6**	**-1.8**	**-5.4**	**-**	**-**	**-3.8**	**-3.9**
Total Financing (Net)	**2.9**	**2.6**	**1.8**	**5.4**	**-**	**-**	**3.8**	**3.9**
Net Foreign Financing	-0.1	2.0	-0.1	6.1	-	-	3.3	1.0
Net Domestic Financing	3.0	0.7	1.9	-0.7	-	-	0.5	2.9
MEMORANDUM ITEMS								
Nominal GDP (in TT$ million, FY)**	169,039.0	168,402.6	154,626.0	146,994.7	-	-	154,447.8	154,447.8
HSF Transfers (+) / Withdrawals (-)	271.7	0.0	0.0	-2,498.4	0.0	-1,712.2	-1,712.2	0.0

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

b Budgeted data based on an oil price of US$48.00 per barrel and Natural Gas price of US$2.25.

rb Mid-Year Revised Budgeted data

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 in FY2013, FY2014 and FY2015.

** Nominal GDP is sourced from the Review of the Economy and converted into fiscal years for 2015 and 2016; the 2017 data are sourced from the Ministry of Finance.

e) External Accounts

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

Preliminary data show that during 2016 Trinidad and Tobago's external position improved from 2015. The overall deficit on the external accounts in 2016 was $467.2 million or 2.1 per cent of GDP compared with $1,564.2 million or 6.6 per cent of GDP in 2015 **(Table IIIb)**. At the end of 2016, the country's gross official reserves therefore amounted to $9,465.8 million, equivalent to 10.5 months of prospective imports of goods and non-factor services. Given the terms-of-trade shock which the country experienced, the current account weakened sharply, mainly because of lower earnings from the export of energy products. Public sector external borrowing represented a substantial source of financial inflows during the review period. A drawdown from the Heritage and Stabilization Fund in 2016 also contributed to net inflows in the financial account.

The external current account recorded a deficit of $2,394.6 million or 10.9 per cent of GDP in 2016, a reversal of the surplus of $923.1 million or 3.9 per cent of GDP in 2015. Primarily owing to a falloff in energy exports, total exports[12] were estimated to be 26.0 per cent lower than in 2015. Energy export earnings were estimated at $6,407.2 million, 26.8 per cent less than the $8,750.7 million earned in 2015. In contrast, estimated exports of refined products rose by 9.2 per cent to $2,105.5 million.

Imports rose to an estimated $9,421.7 million, surpassing the 2015 level by 9.5 per cent, but this was mainly reflective of higher energy imports. Higher refining activity at the Petrotrin refinery along with lower production of crude oil locally led to increased crude oil imports for use as feedstock to support refining activity. The estimated value of energy imports grew by 44.4 per cent to $3,507.6 million.

The services account deficit widened by 4.0 per cent, reaching $1,163.5 million, mainly driven by a lower transport surplus. Air passenger fares, which is one of the larger components of domestic transport earnings, declined by approximately 8.1 per cent. In addition, both the number of visitors as well as expenditure by tourists fell when compared to 2015. Following a deficit of $428.5 million in 2015, transactions on the primary income sub-account recorded a smaller deficit of $53.0 million. In particular, the reduced outflows were due to lower dividends being repatriated.

[12] Refer to Box 3 of the Economic Bulletin, March 2017 for a Technical Note on the CBTT estimated trade data.

The financial account recorded a net inflow of $1,794.1 million, a reversal of the net outflow of $393.8 million in 2015. Over the twelve months of 2016, the portfolio investment account recorded a net inflow due to a reduction in foreign assets held by domestic investors coupled with higher non-resident holdings of domestic bonds. In particular, the issuance of two public sector bonds on the external market coupled with a withdrawal from the Heritage and Stabilization Fund were the main contributors to increased portfolio investment financial inflows. Foreign holdings of commercial bank debt securities declined over the review period resulting in an outflow of portfolio investment liabilities. Direct investment recorded a minor net outflow of $30.6 million in 2016, compared to a net inflow of $202.4 million in 2015 primarily on account of changes in foreign equities held by the financial sector. Given a decline in foreign equities held by the financial sector, direct investment assets moved from a net outflow of $152.7 million in 2015 to a net inflow of $220.8 million in 2016 However, increased reinvestment of earnings by domestic enterprises abroad partially reduced the value of financial inflows attributed to direct investment assets. Against the backdrop of a weakened energy sector, negative reinvestment of earnings by foreign-owned energy companies in 2016 resulted in net outflows of direct investment liabilities. In the other investment sub-account net inflows recorded an increase of 11.1 per cent, reaching $230.1 million. The drawdown of foreign currency and deposit holdings by domestic entities primarily contributed to the decline in other investment assets. However, this growth was somewhat offset by increases in loans and other assets held abroad by residents of Trinidad and Tobago.

Meanwhile, gross official reserves amounted to $9,105.4 million at the end of the first quarter of 2017, compared with $9,465.8 million at the end of 2016 **(Chart IIIf).** This represents 10.1 months of prospective imports of goods and non-factor services.

TABLE IIIB
TRINIDAD AND TOBAGO: SUMMARY BALANCE OF PAYMENTS
(US$ MILLION)

	2011	2012	2013	2014	2015P	2016P
Current Account	**4,266.6**	**3,373.0**	**5,418.8**	**3,947.1**	**923.1**	**-2,394.6**
Goods and Services	**7,145.4**	**5,586.6**	**6,952.4**	**5,702.1**	**1,393.2**	**-2,370.9**
Goods, net*	7,879.5	6,440.1	7,596.8	6,406.3	2,512.4	-1,207.4
Exports	17,041.3	16,324.7	17,593.1	14,964.5	11,113.9	8,214.3
Energy	14,694.9	13,189.9	14,036.3	12,491.5	8,750.7	6,407.2
Non-energy	2,346.4	3,134.8	3,556.7	2,473.0	2,363.2	1,807.2
Imports	9,161.8	9,884.5	9,996.2	8,558.2	8,601.5	9,421.7
Energy	3,981.9	3,829.8	4,508.6	2,867.7	2,428.4	3,507.6
Non-energy	5,179.9	6,054.8	5,487.7	5,690.5	6,173.1	5,914.1
Services, net	-734.1	-853.5	-644.4	-704.3	-1,119.2	-1,163.5
Primary income, net	-2,899.2	-2,250.4	-1,559.1	-1,733.7	-428.5	-53.0
Secondary income, net	20.4	36.8	25.6	-21.2	-41.6	29.2
Capital Account	**0.1**	**-0.6**	**1.0**	**0.3**	**0.5**	**-0.3**
Financial Account	**1,089.2**	**3,985.1**	**-37.8**	**103.8**	**393.8**	**-1,794.1**
Direct investment	**12.7**	**2,080.5**	**1,196.9**	**-689.3**	**-202.4**	**30.6**
Net acquisition of financial assets	67.2	189.4	62.5	-17.7	152.7	-220.8
Net incurrence of liabilities	54.6	-1,891.0	-1,134.4	671.6	355.1	-251.4
Portfolio investment	**1,165.5**	**1,587.9**	**142.6**	**846.0**	**804.4**	**-1,594.4**
Net acquisition of financial assets	1,090.9	1,130.8	574.1	739.1	677.6	-111.8
Net incurrence of liabilities	-74.5	-457.1	431.5	-107.0	-126.8	1,482.6
Financial derivatives	**-1.9**	**-2.6**	**4.2**	**-3.2**	**-1.0**	**0.0**
Net acquisition of financial assets	-1.9	-2.3	3.9	-1.8	-1.9	0.0
Net incurrence of liabilities	0.0	0.2	-0.2	1.3	-0.9	0.0
Other investment	**-87.0**	**319.3**	**-1,381.5**	**-49.8**	**-207.2**	**-230.1**
Net acquisition of financial assets	88.5	-271.9	-1,426.9	254.6	-672.0	-164.3
Net incurrence of liabilities	175.4	-591.2	-45.4	304.4	-464.8	65.8
Net errors and omissions	**-2,375.9**	**0.6**	**-4,652.4**	**-2,522.3**	**-2,093.9**	**133.7**
Overall Balance	**801.6**	**-612.2**	**805.2**	**1,321.3**	**-1,564.2**	**-467.2**
PER CENT OF GDP						
Current Account	**16.8**	**13.1**	**20.4**	**15.0**	**3.9**	**-10.9**
Goods, net	30.9	25.0	28.6	24.4	10.6	-5.5
Exports	66.9	63.3	66.3	57.0	47.0	37.4
Imports	36.0	38.3	37.7	32.6	36.4	42.9
Services, net	-2.9	-3.3	-2.4	-2.7	-4.7	-5.3
Primary income, net	-11.4	-8.7	-5.9	-6.6	-1.8	-0.2
Overall balance	**3.1**	**-2.4**	**3.0**	**5.0**	**-6.6**	**-2.1**
MEMORANDUM ITEMS						
Gross Official Reserves**	9,982.8	9,370.7	10,175.9	11,497.1	9,933.0	9,465.8
Import Cover (months)**	13.7	10.6	12.2	12.9	11.2	10.5

Source: Central Bank of Trinidad and Tobago

Note: This table is an analytical presentation of the Balance of Payments and is presented in the accordance with the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). Refer to Box 3 of the Economic Bulletin, March 2017 for a Technical Note on the Transition to BPM6.

P Provisional.

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

** End of Period.

International Investment Position

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

Trinidad and Tobago's net international investment position deteriorated by $577.5 million to $5,802.3 million in 2016 (**Table IIIc**). International assets declined by 5.4 per cent, reaching $23,563.0 million mainly due to a fall in reserve assets and portfolio investment. Continuing the trend of previous years, declining oil and gas receipts largely contributed to the fall-off in reserve assets while increasing foreign exchange interventions helped to increase the size of outflows from the level of gross official reserves. Portfolio investment assets declined by 2.2 per cent to $9,314.2 million on account of a decline in the Heritage and Stabilization Fund owing to the withdrawal of funds for budgetary support.

Meanwhile, the country's international liabilities continued its downward trend in 2016, falling to $17,760.7 million largely due to a fall in direct investment liabilities. The closure of ArcelorMittal in 2016 contributed to the decline in the stock of direct investment liabilities. Foreign holdings of domestic securities increased by $1,391.7 million, which partially offset the decline in the stock of international liabilities.

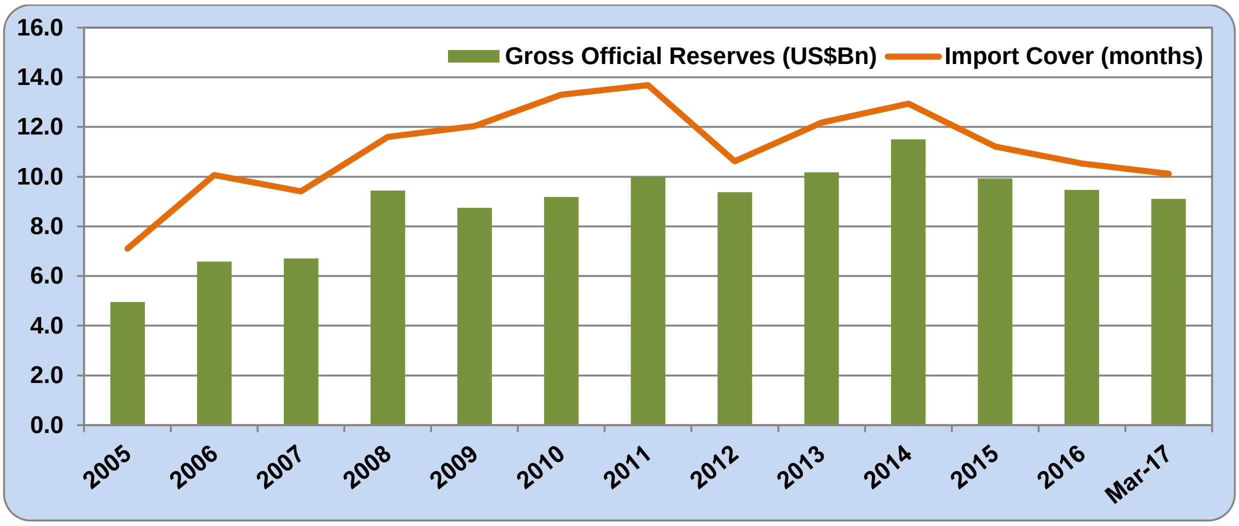
TABLE IIIC
TRINIDAD AND TOBAGO: INTERNATIONAL INVESTMENT POSITION (AT END OF PERIOD)
(US$ MILLION)

	2011	2012	2013	2014	2015P	2016P
Net International Investment Position	**95.9**	**3,590.5**	**4,767.8**	**6,815.7**	**6,379.8**	**5,802.3**
Assets	**22,083.3**	**22,697.4**	**23,751.9**	**26,006.3**	**24,917.6**	**23,563.0**
Direct investment	426.7	555.2	616.2	599.5	830.3	523.6
Portfolio investment	5,124.3	6,290.6	7,834.6	8,611.2	9,519.7	9,314.2
Financial derivatives	2.3	0.0	3.9	2.1	0.2	0.2
Other investment	6,547.2	6,481.0	5,121.2	5,296.3	4,634.3	4,259.2
Reserve assets	9,982.8	9,370.7	10,175.9	11,497.1	9,933.0	9,465.8
Liabilities	**21,987.4**	**19,106.9**	**18,984.1**	**19,190.6**	**18,537.8**	**17,760.7**
Direct investment	12,774.0	10,995.7	10,432.0	10,387.6	10,019.4	8,214.1
Portfolio investment	2,989.8	2,676.3	3,086.5	2,992.9	2,885.9	4,277.6
Financial derivatives	0.0	0.0	0.0	0.0	0.6	1.9
Other investment	6,223.5	5,434.9	5,465.6	5,810.0	5,631.9	5,267.1

Source: Central Bank of Trinidad and Tobago

P Provisional.

CHART IIIF
TRINIDAD AND TOBAGO GROSS OFFICIAL RESERVES



Source: Central Bank of Trinidad and Tobago

PART IV - MONETARY AND FINANCIAL SECTOR DEVELOPMENTS AND POLICY

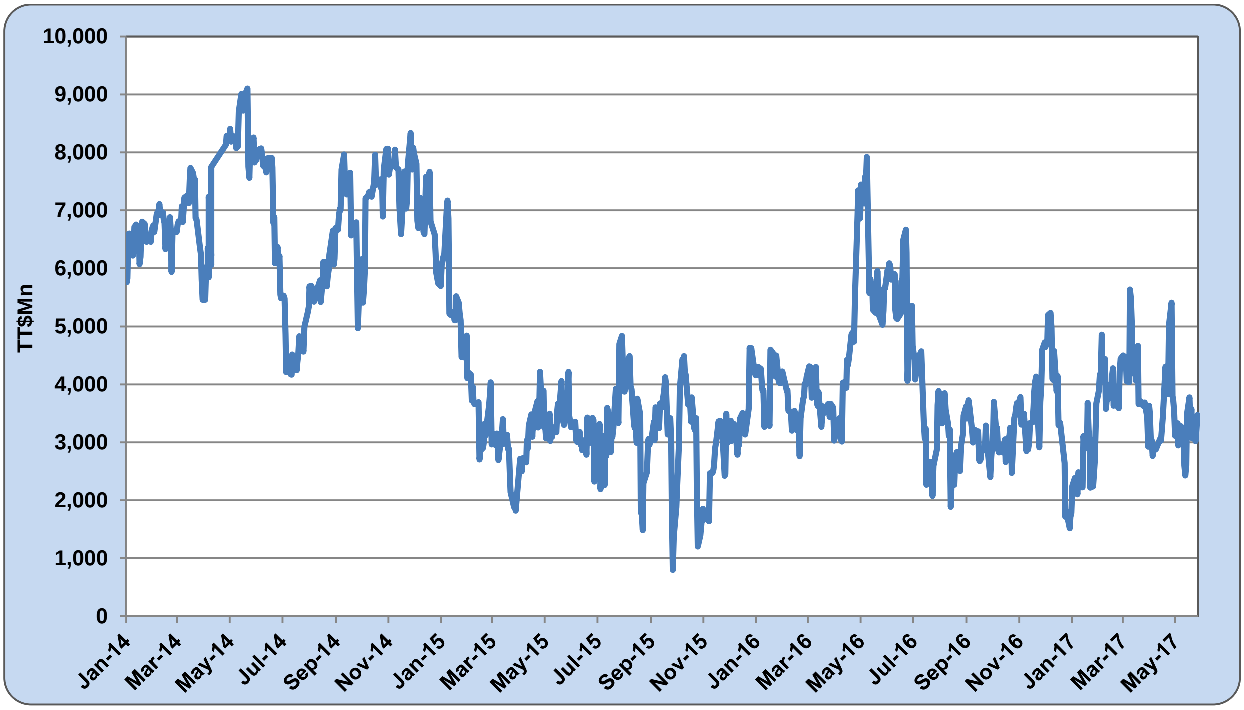
MONETARY POLICY DEVELOPMENTS

At its four meetings since the last Monetary Policy Report (November 2016, January 2017, March 2017 and May 2017) the Monetary Policy Committee (MPC) of the Central Bank maintained the Bank's main policy rate, the "Repo" rate at 4.75 per cent. In arriving at its decisions to keep the repo rate unchanged, the MPC balanced considerations of domestic economic performance, contained domestic inflation and movements in international and domestic interest rates.

The Bank managed Open Market Operations (OMOs) and liquidity flexibly to meet the changing liquidity needs of the financial system. Liquidity levels were slightly higher over the first five months of 2017 when compared to the preceding five-month period, despite lower Net Domestic Fiscal Injections (NDFIs) i.e. Government's total spending in the local economy minus revenues from local sources. Over the first five months of 2017, excess liquidity averaged $3,478.4 million monthly, relative to $3,323.2 monthly over the last five months of 2016 **(Chart IVa)**. NDFIs reached $2,924.0 million in the first five months of 2017, which was less than two-thirds of NDFIs in the preceding five-month period. Liquidity management by the Central Bank took into account private and public financing activities thus far in 2017. These included the First Citizens Additional Public Offering, an auction of a $1 billion by the Central Government in February and the contracting of a $1.5 billion short-term instrument by the Government in March 2017.

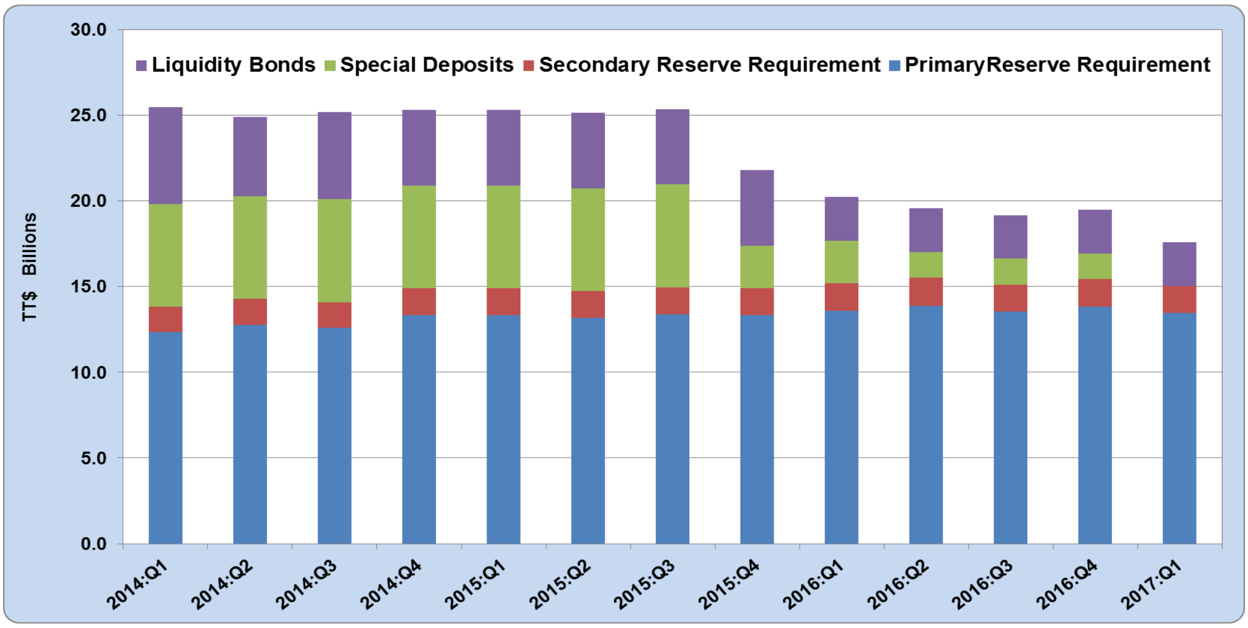
To ensure adequate liquidity in the financial system in the first five months of 2017, the Central Bank paid out commercial banks' liquidity management fixed deposits totalling $1.5 billion upon maturity in March **(Chart IVb)**, and allowed $2,537.3 million in net OMO securities to return to the system upon maturity. Sales of foreign currency to authorized dealers indirectly withdrew $5,415.7 million from liquidity over the first five months of 2017 **(Table IVa)**.

CHART IVA
COMMERCIAL BANKS' EXCESS RESERVES



Source: Central Bank of Trinidad and Tobago

CHART IVB
RESERVE REQUIREMENTS AND OTHER LIQUIDITY ABSORPTION MEASURES



Source: Central Bank of Trinidad and Tobago

Table IVa
Fiscal Injections and Liquidity Absorption
(TT$ Millions)

	2014	2015	2016	Jan-May-17
Fiscal Injections	11,855.8	13,193.8	8,298.8	2,924.3
Liquidity Absorption Measures				
Open Market Operations (OMOs)	-11,434.6	2,332.1	-957.2	2,360.2
Central Gov't Treasury Bond Issues	1,000.0	0.0	0.0	0.0
Commercial Banks' Fixed Deposits	-10.0	3,500.0	1,000.0	1,500.0
Memo Item:				
CBTT Sale of Foreign Exchange[1]	3,380.5	16,588.5	11,928.4	5,415.7

Source: Central Bank of Trinidad and Tobago
Note: A negative sign indicates an operation resulting in a withdrawal of liquidity and a positive sign reflects an operation which injects liquidity. OMO bills range in tenor from 0-5 years. The tenor of Central Government treasury bonds is usually greater than 5 years.
[1] CBTT Sale of Foreign Exchange includes transactions under the Foreign Exchange Liquidity Guarantee facility.

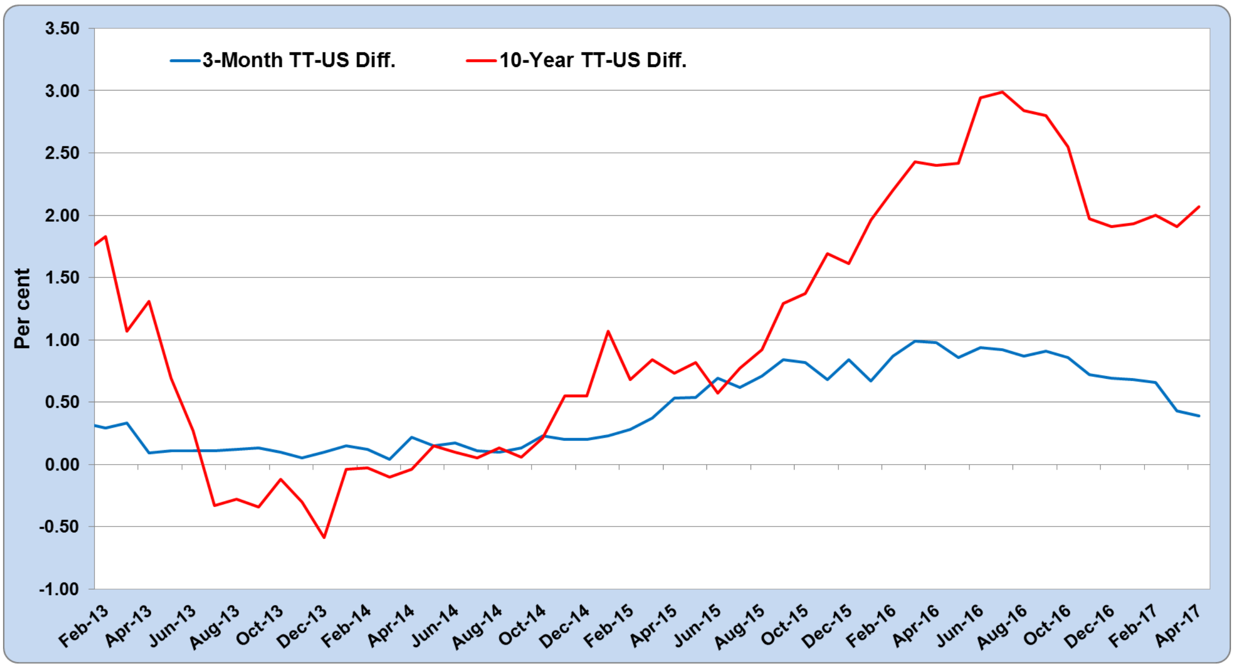
Domestic short-term rates were fairly stable over September 2016 to May 2017. In May 2017, the TT 3-month Treasury bill rate remained at 1.20 per cent, the same rate observed in September 2017. The rate on the corresponding US 3-month Treasury bill, however, increased 69 basis points to reach 0.98 per cent over the same period, mainly as a result of increases in the Fed's monetary policy rate. As a result, the 3-month TT-US differential decreased to 22 basis points in May from 91 basis points in September 2016.

Longer-term yield differentials over September 2016 to May 2017 were influenced mainly by the economic recovery in the US, changes in the Fed Funds rate and speculation about future US fiscal policy following the US election in November 2016. The US 10-year Treasury bond rate climbed 85 basis points in the last four months of 2016 to 2.45 per cent at the end of the year but settled at 2.21 per cent by May. As the rate on the corresponding TT 10-year Treasury bond decreased two basis points over September 2016 to May 2017 to reach 4.38 per cent, the long term TT-US differential decreased 63 basis points to reach 217 basis points by May **(Chart IVc)**.

Interbank activity increased over the first five months of 2017. In the first five months of 2017, interbank borrowing reached a daily average of $23.8 million. This compares with daily average interbank borrowing of $20.7 million in the last five months of 2016. However, the increase in interbank activity in 2017 was driven mainly by tighter liquidity conditions in January, when daily average excess liquidity declined to $2,438.0 million over the month from $3,985.2 million in December 2016. In order for Commercial Banks to meet their liquidity requirements, the bulk of interbank borrowing in the first five months of 2017 occurred in January, when daily average activity reached $100.6 million.

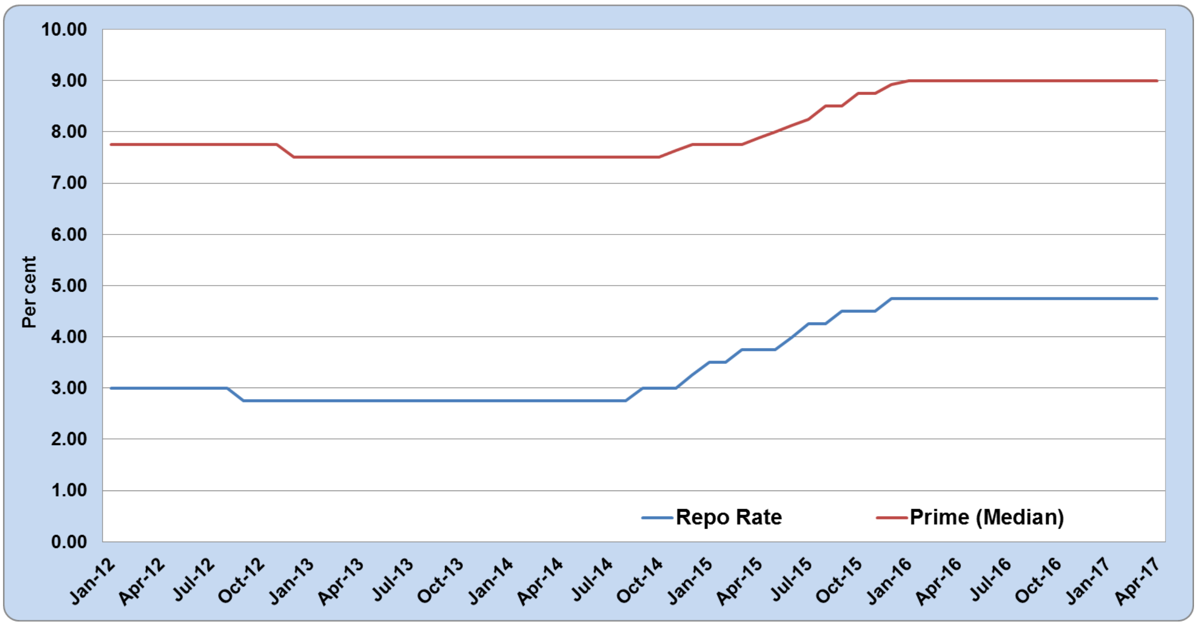
Movements in retail interest rates over October 2016 to March 2017 resulted in a higher banking spread. With the Repo rate held constant, banks have generally kept their prime lending rates constant, such that the median prime lending rate remained at 9.00 per cent over October 2016 to March 2017 **(Chart IVd)**. However, the commercial banks' weighted average lending rate increased slightly to 8.25 per cent in March 2017, from 8.12 per cent in September 2016. With the weighted average deposit rate remaining at 0.60 per cent between September 2016 and March 2017, the spread between the weighted average lending and deposit rates increased to 7.65 per cent in March 2017 from 7.52 per cent in September. The quarterly weighted average interest rate on new mortgages declined 34 basis points from its third quarter 2016 figure to reach 5.81 per cent in the first quarter of 2017. The quarterly weighted average rate on outstanding mortgages was largely unchanged at 6.40 per cent in the first quarter of 2017 compared with 6.41 per cent over the third and fourth quarters of 2016.

CHART IVC
3-MONTH AND 10-YEAR TT-US DIFFERENTIALS



Source: Central Bank of Trinidad and Tobago.

Chart IVd
Repo Rate and Commercial Banks' Median Prime Lending Rate



Source: Central Bank of Trinidad and Tobago

Private Sector Credit

Growth of private sector credit remained subdued. The growth in private sector lending by the consolidated financial system[13] slowed from 3.5 per cent in September 2016 to 2.1 per cent in April 2017 **(Chart IVe)**. Lending by the non-bank financial system was particularly anemic with the decline in lending by this sector accelerating to 3.3 per cent by April 2017 from 2.0 per cent in September 2016.

Business credit continued to contract in April 2017. On a year-on-year basis credit to businesses declined by 1.1 per cent in April 2017, compared with a decline of 1.9 per cent in September 2016. Business loans granted by the commercial banks contracted by 0.4 per cent, while business lending by non-banks fell by 7.2 per cent in April 2017. Consistent with the weak nature of activity in the construction sector, lending to construction companies contracted. In addition, lending to the manufacturing, distribution and other services sectors remained subdued. Growth in lending to the finance, insurance and real estate sector accelerated on account of lending to the 'all other business services' sub-sector.

Lending to consumers decelerated gradually in late 2016 and early 2017. On a year-on-year basis, growth in loans to consumers slowed to 5.4 per cent in April 2017 from 7.6 per cent in September 2016. Increased customs duties may have dampened the growth of loans for new

[13] Consolidated refers to the commercial banks and non-bank financial institutions, where the latter comprises the finance companies and merchant banks and the trust and mortgage finance companies.

private cars, underpinning the deceleration in loans for motor vehicles (6.1 per cent) in March 2017 from double-digit growth six months earlier. Meanwhile loans for other purposes grew robustly (8.8 per cent), due to increasing credit card loans, possibly for foreign payments.

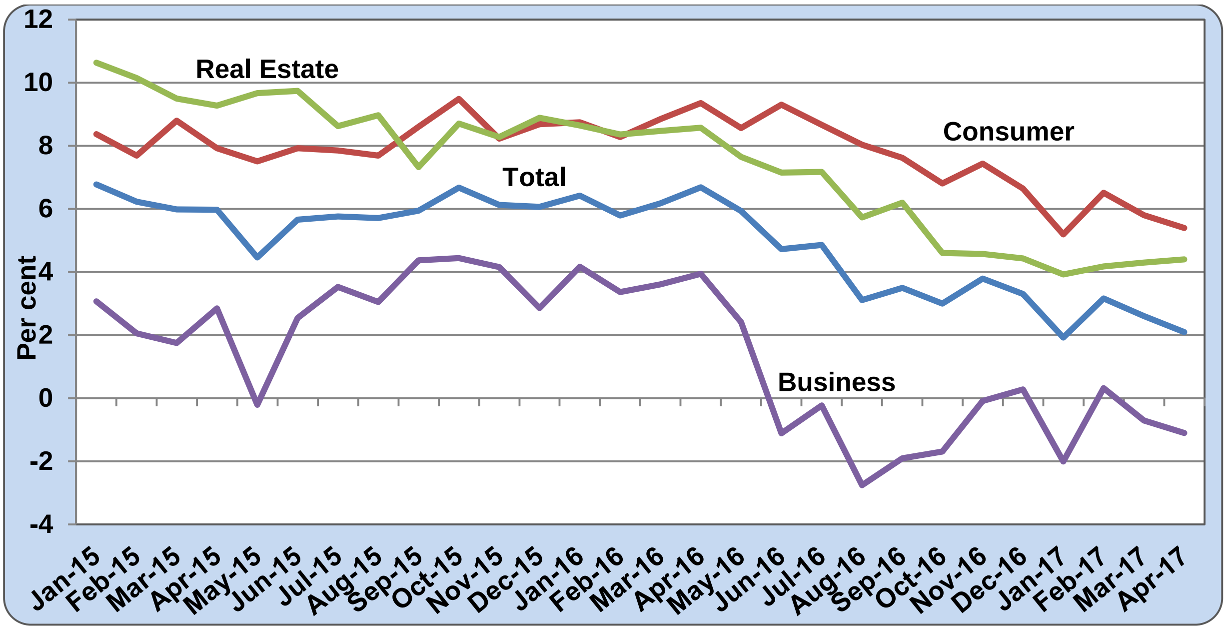
Real estate mortgage lending continued to slow over the period September 2016 to April 2017. The sustained slowdown in the real estate mortgage market may be due to the weaker labour market and subdued economic conditions. Growth in lending for real estate mortgages eased to 4.4 per cent year-on-year in April 2017, from 6.2 per cent in September 2016 and 8.6 per cent one year earlier. A disaggregation of consumer real estate lending for March 2017 indicated slow growth in lending for mortgages for the purchase of new houses (3.7 per cent) and renovation (2.3 per cent). Over the past eight months, commercial real estate mortgages have decelerated at a faster pace than residential mortgages. Growth in real estate mortgages to businesses decelerated to 3.6 per cent in April 2017, from 8.6 per cent in September 2016, while growth in residential real estate mortgages eased to 4.7 per cent from 5.1 per cent over the same period.

Foreign currency loans to the private sector continued to contract over the eight-month period to April 2017. Tight conditions in the foreign exchange market may have limited loans granted by the financial system as well as businesses' capacity to repay in foreign currency. On a year-on-year basis, foreign currency loans (almost 10.0 per cent of private sector credit) declined by 16.0 per cent in April 2017, compared to a contraction of 9.7 per cent in September 2016. Foreign currency loans to businesses, which comprise over 80 per cent of total foreign currency loans and over 20 per cent of business loans, declined by to 13.7 per cent in April 2017 compared with 10.6 per cent in September 2016.

CHART IVE

PRIVATE SECTOR CREDIT TO THE CONSOLIDATED FINANCIAL SYSTEM

(YEAR-ON-YEAR PER CENT CHANGE)



Source: Central Bank of Trinidad and Tobago

MONETARY AGGREGATES

Growth of the main monetary aggregates trended downwards over September 2016 to April 2017, due to restrained government spending and credit growth. On a year-on-year basis, M1-A, comprised of currency in active circulation and demand deposits, declined by 1.5 per cent in April 2017 compared with declines of 0.6 per cent in September 2016, and 3.7 per cent one year earlier. The falloff was driven by a decline in demand deposits (2.1 per cent). M-2 remained largely stable in April 2017, compared with increases of 1.4 per cent in September 2016 and 4.1 per cent one year earlier, on account of slower growth of savings (1.6 per cent) and a decline in time deposits (0.7 per cent).

The growth of foreign currency deposits of the financial system (denominated in TT dollars) was flat in April 2017. On a year-on-year basis, foreign currency deposits were largely unchanged compared with increases of 10.7 per cent in September 2016, and 9.1 per cent one year earlier. After an increase of 11.2 per cent in September 2016, businesses' foreign currency deposits (almost 36 per cent of total foreign currency deposits) decelerated to 8.1 per cent in April 2017. Consumers' foreign currency deposits (approximately 35 per cent of total foreign currency deposits) also slowed to 2.1 per cent in April 2017 from 6.7 per cent in September 2016. The flat growth of total foreign currency deposits was also attributable to a notable decline in foreign currency deposits of state-owned financial institutions and other government bodies over the period.

DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKET

Conditions in the domestic foreign exchange market remained tight over the first five months of 2017, as a result of constrained supply of foreign currency (Table IVb). Authorized dealers' purchases of foreign exchange from the public amounted to US$1,398.9 million over January to May 2017, a 25.8 per cent decline from the corresponding period a year earlier. Over the first five months of 2017, reports by authorized dealers of transactions above US$20,000 showed that purchases from the energy sector amounted to US$850.6 million or 65.9 per cent of the total purchases from the public by the authorized dealers. This, however, represented a decline of 30.2 per cent in energy sector purchases relative to the corresponding period a year earlier.

The Central Bank supported the foreign exchange market with sales of US$810.0 million to authorized dealers in the reference period, 41.6 per cent more than in the same period a year earlier. At the end of May 2017, the monthly weighted average selling rate stood at US$1 = TT$6.7802 and the weighted average buying rate stood at US$1 = TT$6.7233

Table IVb
Authorised Dealers: Foreign Exchange Market Activity
(US$ Millions)

Date	Purchases from Public	Sales to Public	Net Sales	Purchases from CBTT[1]
2010	4,043.3	5,536.0	1,492.7	1,550.0
2011	4,755.5	6,186.8	1,431.4	1,475.0
2012	4,859.1	6,713.7	1,854.6	1,785.0
2013	5,802.2	7,076.4	1,274.2	1,315.0
2014	5,525.2	6,956.0	1,430.8	1,715.0
2015	4,941.3	7,382.5	2,441.2	2,640.9
2016	4,289.0	5,776.8	1,487.8	1,811.6
Jan to May 2016	1,886.0	2,272.7	386.7	572.0
Jan to May 2017	1,398.9	2,159.6	760.7	810.0
Y-o-Y Per cent Change	**-25.8**	**-4.9**	**96.7**	**41.6**

Source: Central Bank
[1] Purchases from the Central Bank of Trinidad & Tobago include transactions under the Foreign Exchange Liquidity Guarantee facility.

Capital Markets

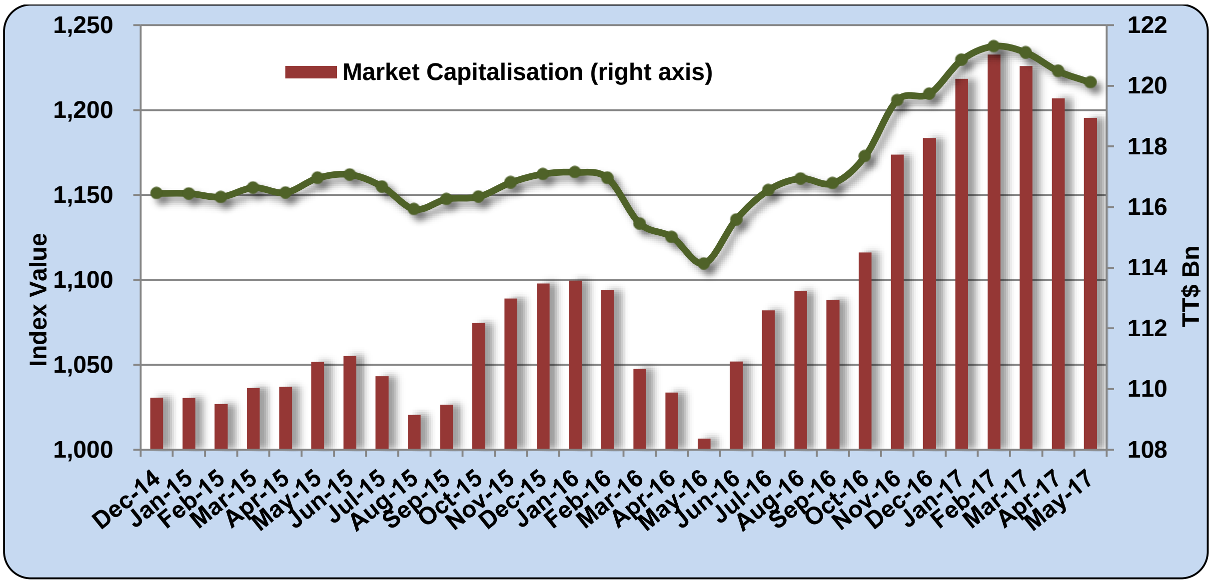
Stock Market

Following a notable recovery during the second half of 2016, the domestic stock market continued to improve slightly during the first five months of 2017 (Chart IVf). The major Composite Price Index (CPI) gained 0.6 per cent over the period, compared to a 4.5 per cent decline during the same period in 2016. Total stock market capitalization followed a similar path to the CPI, advancing by 0.6 per cent to end May 2017 at $118.9 billion. The improvement in the CPI was again buoyed by the strong performance of the Cross Listed Index (CLI) which jumped by 9.6 per cent in the five months ending May 2017. In comparison, the CLI leaped by 23.0 per cent during the same period in 2016. On the other hand, reflective of the challenging economic conditions, the All T&T Index (ATI), which represents only locally, domiciled, firms dipped by 2.2 per cent over the first five months in 2017. Similarly, in the same period one year earlier, the ATI dropped by 9.6 per cent.

The sub-indices on the local exchange displayed mixed performances over the first five months of 2017 (Chart IVg). The Non-Banking Finance sub sector rallied most robustly, gaining 10.8 per cent over the first five months of 2017. The sector was strongly supported by regionally listed firms echoing the improved economic conditions in the region as well as favourable financial earnings of a locally listed firm **(Chart IVh)**. Other sub-indices to record positive movements were Property (9.5 per cent), Trading (3.5 per cent) and Conglomerates (0.4 per cent). Conversely, the Energy (-1.2 per cent), Banking (-1.2 per cent), Manufacturing I (-3.0 per cent) and Manufacturing II (-3.9 per cent) sub-indices experienced declines over the period, reflecting the depressed conditions in the local energy and non-energy economic sectors.

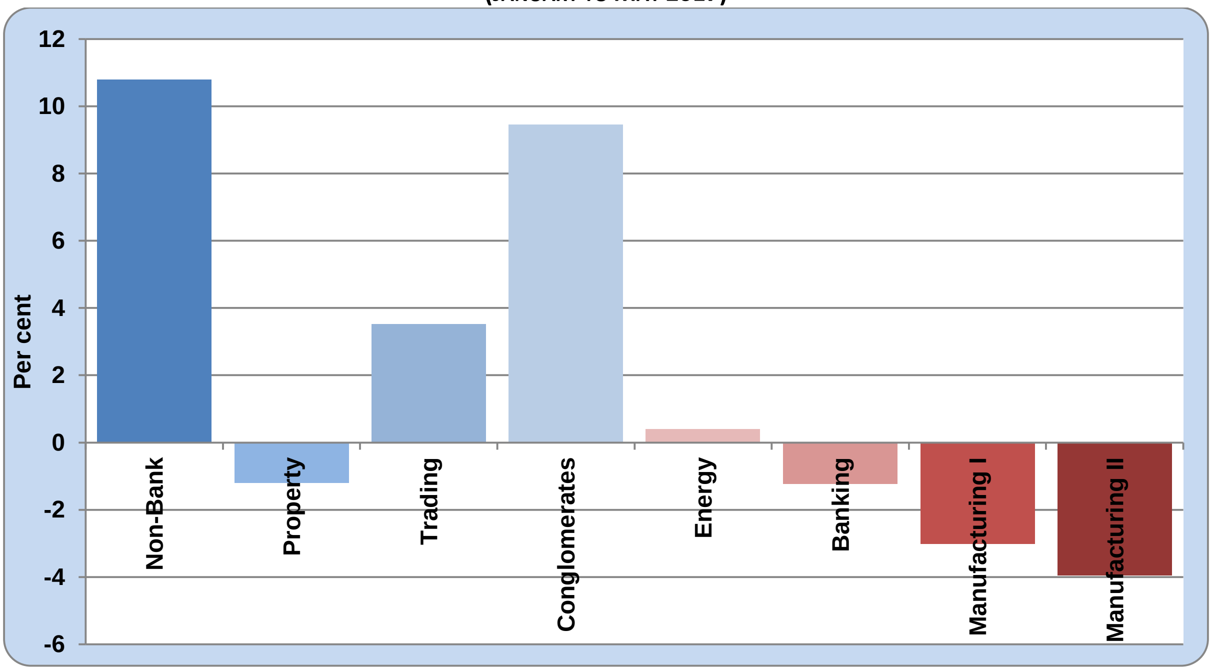
Trading on the domestic exchange also appeared to be significantly lower during the first five months of 2017. Over the period, 35.4 million shares were exchanged at a total value of $377.3 million, with the Banking and Non-Bank Finance sub-indices collectively controlling just under 65.0 per cent of the total value of shares traded. Conversely, during the same period in 2016, 51.9 million shares were exchanged at a value of $426.8 million.

CHART IVF
COMPOSITE PRICE INDEX AND STOCK MARKET CAPITALIZATION



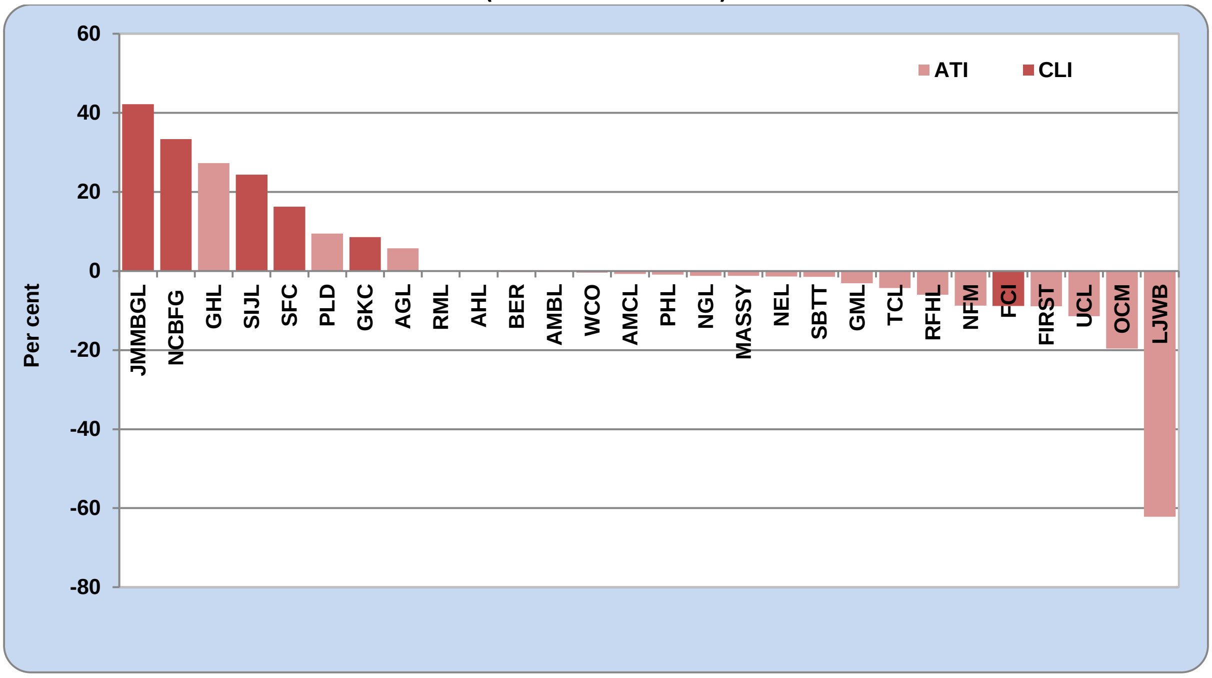
Source: Trinidad and Tobago Stock Exchange

CHART IVG
TRINIDAD AND TOBAGO STOCK MARKET SUB-INDICES
(JANUARY TO MAY 2017)



Source: Trinidad and Tobago Stock Exchange

CHART IVH
TRINIDAD AND TOBAGO INDIVIDUAL STOCK INDICES
(JANUARY TO MAY 2017)



Source: Trinidad and Tobago Stock Exchange

Primary Debt Market

Activity on the primary debt market was significantly higher during the first quarter of 2017 when compared to the same period in 2016 (Table IVc). Provisional data suggest that over the period January to March 2017 there were six primary issues at a value of approximately TT$4,114.7 million compared to four primary issues at a value of roughly TT$767 million in the same period one year earlier. The Central Government continued to be the major borrower during the quarter, with two issues raising TT$2.5 billion. The first was an auction of a TT$1.0 billion, eight-year bond while the second was a TT$1.5 billion short-term fixed rate instrument. In comparison, the Central Government did not access the primary debt market during the same period in 2016. Three State enterprises also accessed the domestic market financing roughly TT$1,559.7 million over the quarter. The first was the Urban Development Corporation of Trinidad and Tobago (UDECOTT) raising just under TT$40.0 million, followed by TSTT financing TT$1.5 billion and the Trinidad and Tobago Mortgage Finance (TTMF) with TT$60.0 million. In comparison, two State enterprises accessed the market during the first quarter of 2016 financing roughly TT$242.4 million. Furthermore, one private sector company (HADCO) accessed the market for TT$15.0 million in funding during the quarter compared to two private entities funding TT$524.8 million in the same period in 2016.

Secondary Government Bond Market

Despite being significantly lower than the same period in 2016, trading activity on the secondary government bond market continued to be strong over the first five months of 2017. Over the period ending May 2017, 53 trades occurred at a face value of roughly TT$410.5 million. Comparatively, during the same period in 2016, the exchange witnessed 86 trades at a face value of TT$951.0 million.

Central Government Yield Curve

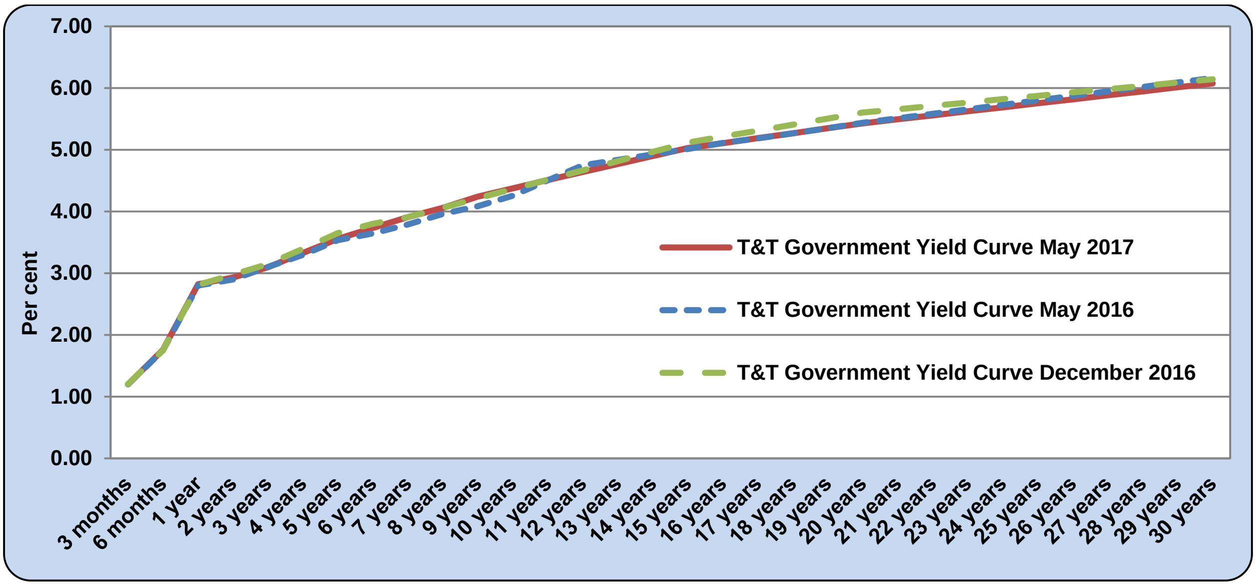
Yields on the Central Government Yield Curve have generally remained stable over the first five months of the year. (Chart IVi). Over the period, the short-term three-month treasury rate remained the same at 1.20 per cent while the 1-year rate increased by 1 basis points to 2.82 per cent. On the longer end of the curve, the 10-year rate ended May 2017 at 4.36 per cent, 2 basis points higher, while the 15-year rate slipped by 8 basis points to 5.03 per cent. In contrast, during the same period in 2016, the 3-month and 1-year rates increased by 20 basis points to 1.20 per cent and 25 basis points to 2.80 per cent respectively while the 10-year jump by 38 basis points to 4.26 per cent and the 15-year increased by 58 basis points to 5.01 per cent. The trends in the sovereign yield curve were also reflected in the movements on the Central Government bond index. During the quarter, the Price Index increased marginally by 0.5 per cent while the Total Return Index improved by 3.1 per cent **(Chart IVj)**.

TABLE IVC
PRIMARY DEBT SECURITY ACTIVITY
JANUARY – MARCH 2017[P]

PERIOD ISSUED	BORROWER	FACE VALUE (TT$ M)	PERIOD TO MATURITY	COUPON RATE PER ANNUM (PER CENT)	PLACEMENT TYPE
February	Urban Development Corporation of Trinidad and Tobago Limited (UDECOTT)	39.7	9.5 years	Amortizing 5.0%	Private
	Central Government of Trinidad and Tobago	1000.0	8.0 years	Fixed Rate 4.10%	Public Auction
March	Central Government of Trinidad and Tobago	1500.0	0.5 years	Fixed Rate 1.70%	Private
	Telecommunications Services of Trinidad & Tobago Limited (TSTT) – Tranche 1	1000.0	12.0 years	Fixed Rate 6.01%	Private
	TSTT – Tranche 2	500.0	5.0 years	Fixed Rate 5.51%	Private
	HADCO	15.0	10.0 years	Fixed Rate 4.62%	Private
	Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	60.0	1.0 year	Fixed Rate 2.90%	Private

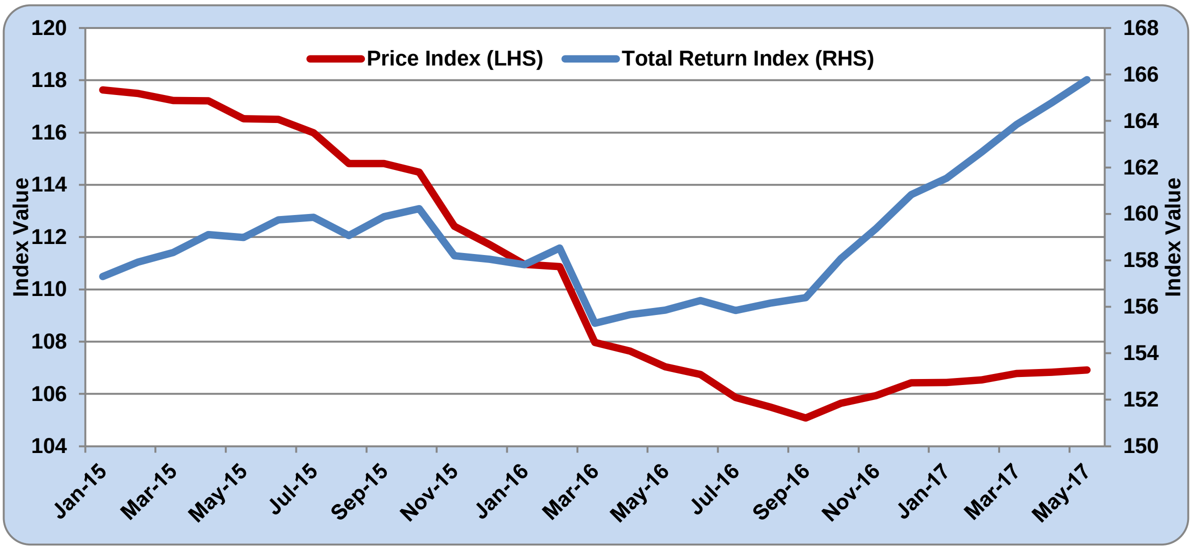
Source: Central Bank of Trinidad and Tobago
[P] Provisional

CHART IVI
STANDARDIZED TRINIDAD AND TOBAGO CENTRAL GOVERNMENT YIELD CURVE



Source: Central Bank of Trinidad and Tobago

CHART IVJ
CENTRAL GOVERNMENT OF TRINIDAD AND TOBAGO BOND INDICES

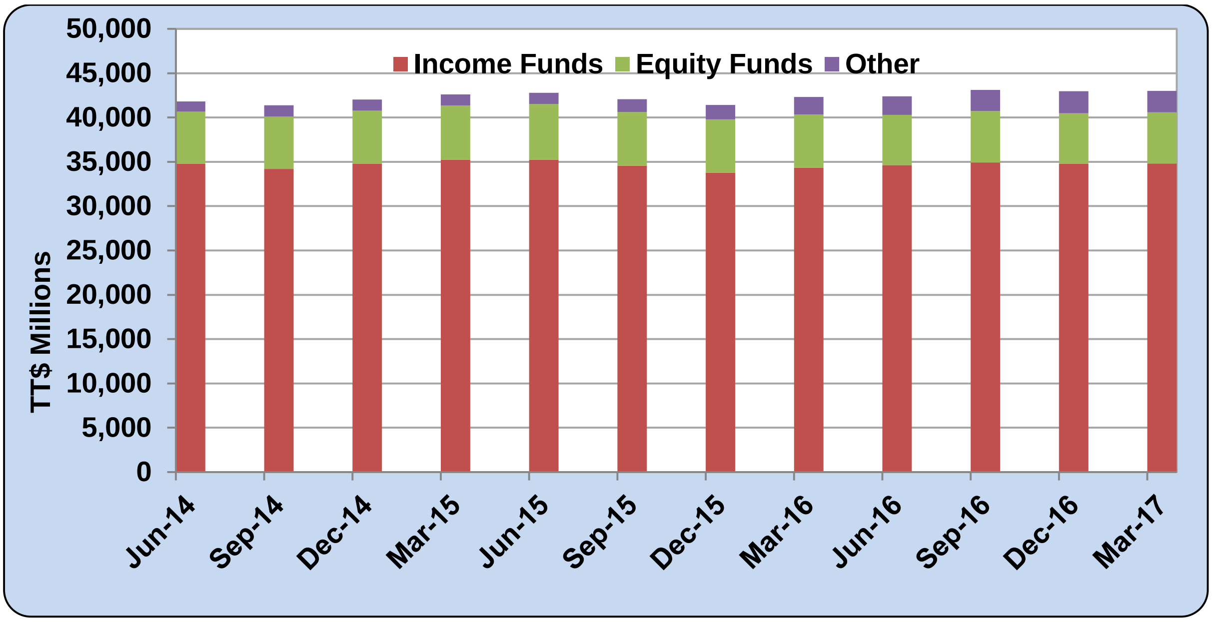


Source: Central Bank of Trinidad and Tobago

Mutual Fund Market

In the first quarter of 2017 the performance of the mutual funds industry was steady. Aggregate funds under management rose marginally by 0.1 per cent to $43.0 billion compared to a 2.1 per cent increase in the same period one year prior **(Chart IVk)**. Income funds, which represent the largest share of the industry, also grew by 0.1 per cent to $34.8 billion during the quarter and following a 1.7 per cent gain in the same period in 2016. Furthermore, following a 0.5 per cent contraction in the first quarter of 2016, equity funds under management grew by 1.6 per cent to $5.8 billion during 2017, mainly due to growth in US dollar denominated equity funds.

CHART IVK
MUTUAL FUNDS UNDER MANAGEMENT BY TYPE



Source: Central Bank of Trinidad and Tobago