

## Oil spill tarnishing growth

### General Information



|                           |  |
|---------------------------|--|
| <b>GDP</b>                | USD24.434bn (World ranking 106, World Bank 2014) |
| <b>Population</b>         | 1.34mn (World ranking 152, World Bank 2014)      |
| <b>Form of state</b>      | Parliamentary Democracy                          |
| <b>Head of government</b> | Keith Rowley                                     |
| <b>Next elections</b>     | 2018, presidential                               |



### Strengths

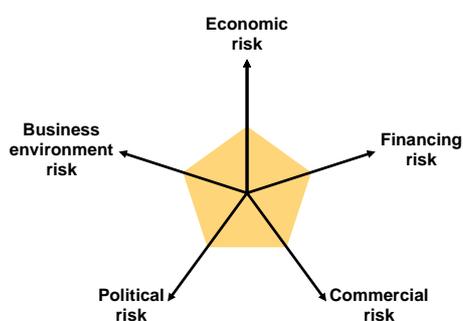
- Large oil and gas resources
- Structural current account surplus
- Strong external liquidity
- Comfortable public and external debt position

### Weaknesses

- High crime rate driven by drug and arms trafficking
- Significant risks coming from the high dependence on energy revenues
- Maintenance-related outages in the energy sector
- Recurring foreign exchange shortages

### Country Rating

**BB2**



Source: Euler Hermes

### Trade Structure

By destination/origin (% of total)

| Exports        | Rank  | Imports           |
|----------------|-------|-------------------|
| United States  | 46% 1 | 33% United States |
| Spain          | 6% 2  | 8% Brazil         |
| Jamaica        | 5% 3  | 8% Colombia       |
| United Kingdom | 3% 4  | 6% Gabon          |
| Barbados       | 3% 5  | 4% Canada         |

By destination/origin (% of total)

| Exports             | Rank  | Imports                        |
|---------------------|-------|--------------------------------|
| Petroleum products  | 33% 1 | 27% Refined petroleum          |
| Natural gas         | 31% 2 | 7% industrial machines & parts |
| Inorganic chemicals | 16% 3 | 5% Road vehicles               |
| Organic chemicals   | 6% 4  | 5% Iron and steel              |
| Iron and steel      | 5% 5  | 4% Metalliferous ores scrap    |

Source: UNCTAD

## Economic Overview

### Entering recession

The economy is highly dependent on the hydrocarbon sector, which accounts for 45% of GDP, 40% of fiscal revenues and above 65% of exports. Plunging global oil and gas prices altered Trinidad and Tobago's growth perspectives. The economy slowed to a meagre +0.8% in 2014 (after +1.7% in 2013), and should enter recession in 2015, with real GDP contracting by -1.4%. Despite resuming as of 2016, growth should remain below +1.5% per year until 2017.

### Tightening in monetary and fiscal policy

Within the monetary policy framework, the Central Bank seeks to anchor inflation expectations through the setting of a repurchase rate and, especially, by following a managed float exchange rate of the TTD against the USD. Maintaining an adequate level of FX reserves is also a target, since the small economy faces recurring FX shortages. The Central Bank started a monetary policy tightening cycle in September 2014, raising the repo rate from 3.25% to 4.75% by December 2015 on the back of the anticipated Fed rate hike as well as to maintain the managed float rate between 6.3-6.4 TTD/USD. Alongside, amid shrinking oil export revenues, the country faced a high risk of foreign currency shortage with an increased number of companies facing difficulties in paying their suppliers. To relieve the economy the Central Bank re-introduced in late-October 2015 the currency auction system that was in place in March 2014.

Low oil and gas prices will weigh considerably on public accounts and external balances. The fiscal deficit is expected to widen to -7.2% of GDP in 2017, while the current account should record a deficit in 2016 for the first time in over 15 years. However, financing these deficits should not be problematic. Over the past years, the country succeeded in building a sovereign wealth fund (Heritage and Stabilization Fund) that will act as a buffer, while the international reserves remain at a high level and cover above 15 months of imports.

### Business environment is improving

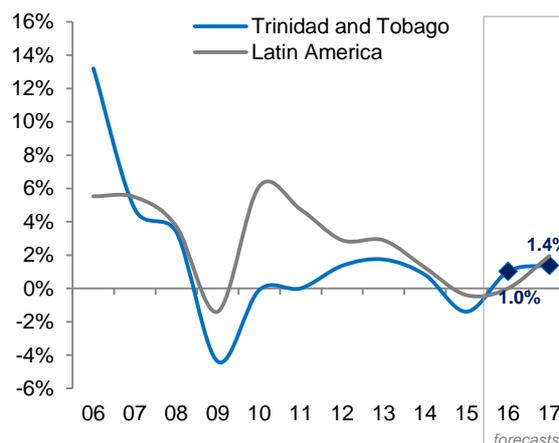
The country has recently implemented a number of structural reforms to improve the business environment and foster economic diversification. Notably, the Bankruptcy and Insolvency Act adopted in 2014 sets legislation for resolving insolvency and restructuring proceedings for local companies. Alongside, the government also launched a platform to increase the ease of starting a business by reducing time delay. This triggered a major improvement of Trinidad and Tobago's ranking in the *2015 Doing Business* survey conducted by the World Bank. The Caribbean country ranks now 79th (against 91th in 2014 survey) out of 189. However, several shortcomings remain, notably when registering property, paying taxes and enforcing contracts. Moreover, the rule of law, control of corruption and, especially, crime and violence remain concerns.

### Key economic forecasts

|                            | 2014 | 2015f | 2016f | 2017f |
|----------------------------|------|-------|-------|-------|
| GDP growth (% change)      | 0.8  | -1.4  | 1.0   | 1.4   |
| Inflation (% end-year)     | 7.0  | 5.3   | 6.0   | 5.8   |
| Fiscal balance (% of GDP)  | -4.0 | -6.2  | -7.2  | -8.1  |
| Public debt (% of GDP)     | 39.3 | 40.8  | 45.0  | 50.1  |
| Current account (% of GDP) | 5.7  | 0.7   | -1.0  | -0.8  |
| External debt (% of GDP)   | 10.4 | 9.3   | 9.0   | 8.7   |

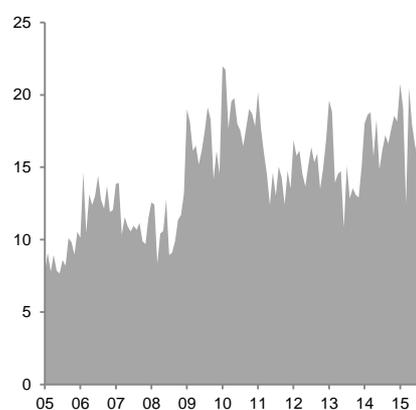
Sources: National sources, IHS, Euler Hermes

### Real GDP growth (%)



Sources: National sources, IHS, Euler Hermes

### Foreign exchange reserves import cover (months)



Sources: National sources, IHS, Euler Hermes

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