

## The double-edged sword of being the Caribbean's largest energy producer



### General Information

<b>GDP</b>	USD20.9896bn (World ranking 104, World Bank 2016)
<b>Population</b>	1.37mn (World ranking 152, World Bank 2016)
<b>Form of state</b>	Parliamentary Democracy
<b>Head of government</b>	Prime Minister Keith ROWLEY
<b>Next elections</b>	2020, general



### Strengths

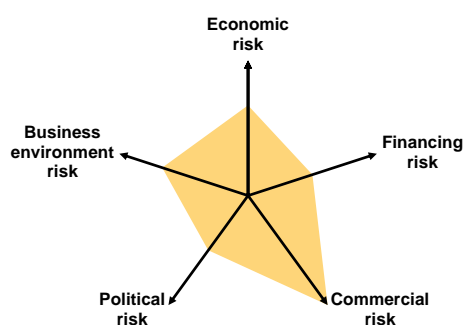
- Large oil and gas resources and largest petroleum and gas producer in the Caribbean
- Strong external liquidity
- Counter cyclical buffer in the form of Sovereign Wealth Fund (HSF)

### 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
- Deteriorating fiscal position
- Recurring foreign exchange shortages and growing external imbalances

### Country Rating

B3



Source: Euler Hermes

### Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
United States	38% 1	32% United States
Argentina	13% 2	15% Russian Federation
Chile	3% 3	12% Gabon
Peru	3% 4	6% China
Jamaica	3% 5	4% Colombia

By product (% of total)

Exports	Rank	Imports
Gas, natural and manufactured	27% 1	37% Petroleum and related products
Petroleum and related products	22% 2	6% Road vehicles
Inorganic chemicals	14% 3	5% Other industrial machinery and parts
Organic chemicals	14% 4	3% Specialised machinery
Iron and steel	8% 5	3% Other transport equipment

Source: UNCTAD (2016)

## Economic Overview

### A difficult but gradual return to growth

Real GDP growth in Trinidad & Tobago has been negative since 2014 strained by a contraction in the energy sector amid low oil prices. However we forecast growth finally turning positive in 2018 at +1.9%, and reaching +2.2% in 2019. This is in line with the recovery of the region, which is projected to firm, and the acceleration of the US economy (Trinidad's main trade partner).

Despite a more constructive outlook, recent developments have seen the public debt-to-GDP ratio soar. By 2019 it is estimated to have doubled its 2015 level of 28.9%, reaching 60.4%. Indeed in 2016 the fiscal deficit rose to close to -13% of GDP. We expect it to remain elevated, adding more pressure on public debt. The IMF reports that energy-related revenues in 2016 declined by 7% of GDP y/y, driven by falling energy prices, volumes, and reduced incentives. Importantly, public debt jumped despite the fact that Trinidad's government benefitted from 'one off' sources of financing totalling 7.2% of GDP. These included super dividends from the National Gas Company, asset sales and drawdowns from the national stabilization fund (HSF). Price pressures remain well contained, and we expect inflation to stabilize just above 3% in 2017 and 2018.

### External imbalances and no diversification

External imbalances have deteriorated between 2015 and 2016, with the current account surplus (3.9% of GDP) turning into a deficit of -11.3%. Yet, the modest recovery in commodity prices should help stabilize external debt going forward. Real Effective Exchange Rate data suggest that the TT dollar is still overvalued despite falling 7% against the US dollar since mid-2016. Foreign exchange reserves continue to fall as currency shortages and black market transactions are increasingly common. Difficulty in sourcing foreign exchange for debt servicing is straining business relations with foreign suppliers. The energy sector, mainly gas (27% of total exports) is a major contributor to GDP. Crude oil production has been decreasing since 2005 as proven reserves dwindle. According to the IMF, the energy sector contracted 10.1% in 2016 amid maintenance shutdowns, oil depletion and gas shortages. The rebound in upstream activity via the USD2bn Juniper offshore platform which came on stream in Sep. 2017 should pass-through into the real economy.

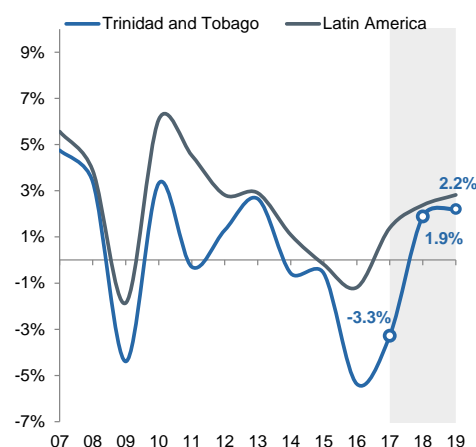
Trinidad & Tobago's business climate remains in the middle of the pack relative to its regional peers. The World Bank ranks it 102<sup>nd</sup> out of 190 countries in its 2017 Doing Business survey.

### Key economic forecasts

	2016	2017	2018f	2019f
GDP growth (% change)	-5.4	-3.3	1.9	2.2
Inflation (% , yearly average)	4.2	3.2	3.4	3.5
Fiscal balance (% of GDP)	-12.7	-13.0	-13.0	-11.7
Public debt (% of GDP)	39.4	47.2	54.7	60.4
Current account (% of GDP)	-11.3	-9.0	-8.4	-7.8
External debt (% of GDP)	14.5	15.1	14.9	14.5

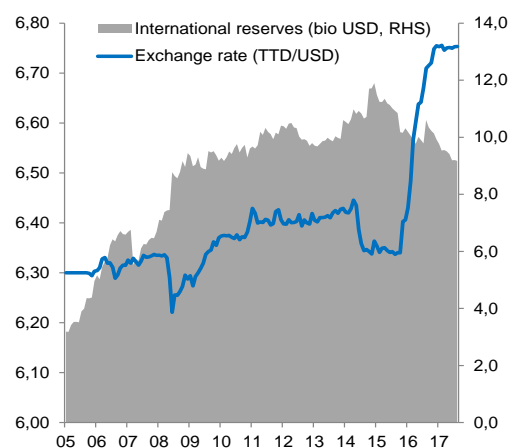
Sources: National statistics, IMF-WEO, Euler Hermes

### GDP growth (%)



Sources: National statistics, Euler Hermes

### FX Reserves Under Pressure



Sources: National statistics, Euler Hermes

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