

# Trinidad & Tobago

## A robust economy despite significant risks

### General Information



|                           |   |
|---------------------------|---|
| <b>GDP</b>                | USD23.986bn (World ranking 98, World Bank 2012)   |
| <b>Population</b>         | 1.34 million (World ranking 153, World Bank 2012) |
| <b>Form of state</b>      | Parliamentary Democracy                           |
| <b>Head of government</b> | Kamla PERSAD-BISESSAR                             |
| <b>Next elections</b>     | 2015, legislative                                 |



### 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
- Residual problems of CL financial conglomerate collapse

### Country Rating

BB2

#### Country Grade



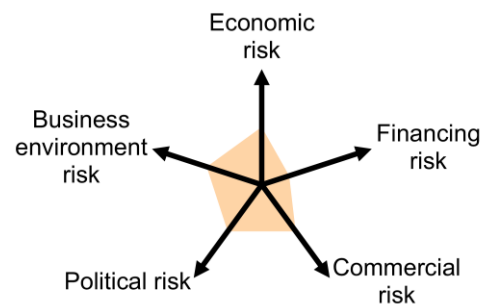
High risk

#### Country Risk Level



Low risk

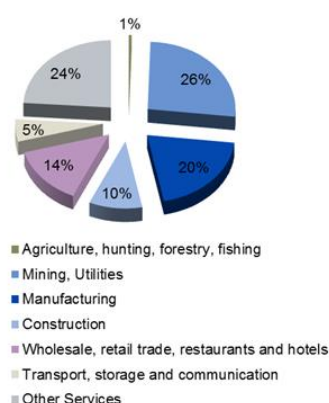
### Risk Dimensions



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## Economic Structure

### GDP breakdown (% of total, 2011)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

### Trade structure (% of total, 2011)

#### By destination/origin

| Exports        | Rank | Imports       |
|----------------|------|---------------|
| United States  | 46%  | United States |
| Spain          | 6%   | Colombia      |
| Jamaica        | 6%   | Brazil        |
| United Kingdom | 3%   | Gabon         |
| Barbados       | 3%   | Russia        |

#### By product

| Exports                                   | Rank | Imports                                   |
|---|------|---|
| Petroleum, petroleum products and related | 32%  | Petroleum, petroleum products and related |
| Gas, natural and manufactured             | 29%  | Other industrial machinery and parts      |
| Inorganic chemicals                       | 15%  | Metalliferous ores and metal scrap        |
| Organic chemicals                         | 7%   | Road vehicles                             |
| Iron and steel                            | 7%   | Iron and steel                            |

## Economic Forecast

|                            | 2009 | 2010 | 2011 | 2012 | 2013e | 2014f |
|----------------------------|------|------|------|------|-------|-------|
| GDP growth (% change)      | -3.5 | 2.5  | -1.4 | 0.2  | 1.8   | 2.5   |
| Inflation (% end-year)     | 1.6  | 13.8 | 5.6  | 7.4  | 4.3   | 4.4   |
| Fiscal balance (% of GDP)  | -9.1 | -3.8 | 0.0  | -0.3 | -1.3  | -1.4  |
| Public debt (% of GDP)     | 30.6 | 35.5 | 33.4 | 38.7 | 33.4  | 34.7  |
| Current account (% of GDP) | 8.3  | 20.5 | 12.3 | 9.3  | 9.4   | 9.8   |
| External debt (% of GDP)   | 20.0 | 17.3 | 15.6 | 17.8 | 18.1  | 18.5  |

Source: IHS Global Insight, national sources, Euler Hermes

## Economic Overview

### Real GDP expected to accelerate in 2014

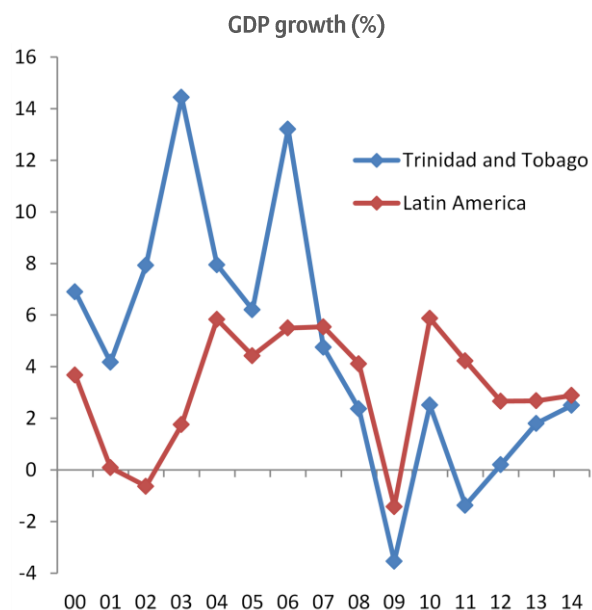
Recovery since the 2009 and 2011 recessions has taken time to gain momentum, but early evidence suggests some improvement in the domestic economy. Indeed, after disappointing activity levels in 2012 (+0.2%), real GDP growth is expected to reach +1.8% in 2013 and to further accelerate in 2014 (+2.5%), mainly driven by the construction, distribution and finance sectors, while the energy sector has suffered from maintenance-related outages.

### Significant downsides risks from the energy sector

Although there has been some diversification, significant downside risks still emanate from the energy sector, since the economy remains highly vulnerable to energy prices and volumes: the energy sector accounts for almost 45% of GDP, 16% of the central government revenue and more than 80% of the value of exports of goods.

### Accommodative monetary and fiscal policies

Given this fragile recovery and a relatively contained inflationary environment (+4.3% at end 2013), monetary policy is expected to continue to be accommodative. Fiscal policy is also expected to remain expansionary, and the deficit has already widened due



Sources: IHS Global Insight, Euler Hermes

## Economic Overview (continued)

to an increase in government expenditure on transfers and subsidies, coupled with lower energy revenues. Nevertheless, Trinidadian authorities have built-up a stabilization fund from surplus oil revenues as a buffer against declining prices and volumes: the Heritage and Stabilization Fund (HSF) was formalized by act of parliament in May 2007, replacing its predecessor, the Interim Revenue and Stabilization Fund, which had been in operation since 2000.

### Structural current account surplus

Since 1999, Trinidad and Tobago has benefited from external current account surpluses, enabling the country to accumulate large foreign exchange reserves: equivalent to almost 12 months of imports in 2013. The current account is expected to stay comfortable in 2014 due to relatively high energy prices. But longer-term, the country will have to face declining proven energy reserves (proven reserves of natural gas and crude oil represent 14 and 9 years, respectively, at current rates of extraction) and the rise of North American shale gas (which has led to a fall in demand for gas imported by the US; the latter bought only 32% of exports of Trinidadian natural and manufactured gas in 2012 against 90% in 2004).

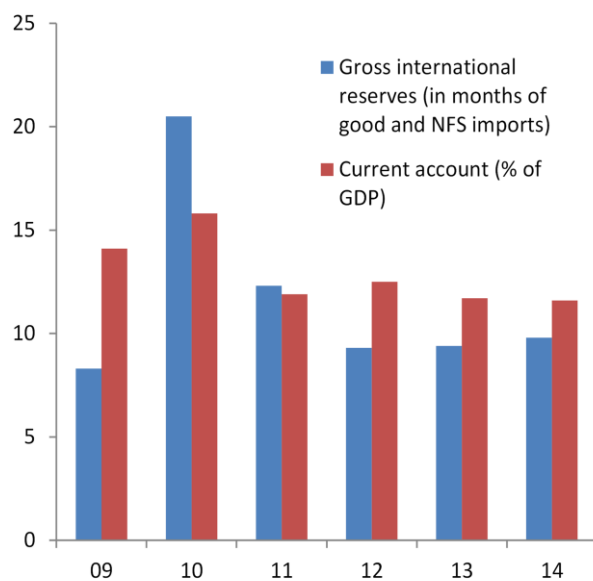
### Large financing capacity

Thus, financing capacity of Trinidad and Tobago remains large thanks to a structural current account surplus and a low debt amortization. External liquidity indicators are indeed strong and debt ratios are not high. The whole external debt and the general external government debt only represent nearly 18% and 7% of GDP respectively.

### Financial sector appears sound despite 2009 crisis

Despite the financial sector problems in the early part of 2009, financial institutions appear sound. In January 2009 the Central Bank was forced to intervene in the insurance and investment banking arms of the financial conglomerate CL Financial Group. Although there was an initial wobble, the intervention managed to arrest any further contagion and the financial system has since stabilized. Trinidad and Tobago represents today a financial center and a source of capital for the Caribbean region. Moreover, the exchange rate peg to the USD (TTD6.4:USD1) should ensure financial stability of the country. Thus, Trinidad and Tobago should remain resilient to exogenous shocks thanks to its high level of foreign exchange reserves plus the Heritage and Stabilization Fund.

External liquidity position



Sources: IHS Global Insight, Euler Hermes

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