

# Trinidad & Tobago Country Risk Report

## Executive Summary

You have downloaded a PDF of BMI's latest views on the market, summarising the key findings that are assessed in detail in the new report, as well as the full report Table of Contents.

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### Core Views:

- Trinidad & Tobago (T&T)'s economy will see weak economic activity growth in the coming years, as structurally lower oil prices weigh on consumption, investment and net exports. Low oil prices will weigh on the hydrocarbon sector's production outlook, while non-oil industries will struggle to become competitive.
- The government will post consistent fiscal deficits, as low oil prices weigh on revenue collection. Expenditure cuts will be limited, as the government seeks to support economic activity.
- Lower oil prices will place depreciatory pressure on the Trinidadian dollar (TTD) over the coming quarters, resulting in a deterioration of the country's terms of trade and weaker investment inflows. Tight control over foreign exchange sales by the central bank will prevent a significant depreciation of the currency, although the bank will allow the unit to gradually depreciate.

### Major Forecast Changes:

- We have downwardly revised our real GDP forecast in 2017 to 2.5% growth, from 3.1% previously, amid signs of weak investment and consumption.
- We have downwardly revised our current account forecast in 2016 to a 6.8% deficit, from 2.1% previously, due to the continued weakness of hydrocarbons exports. We forecast deficits to persist in the coming years.
- We do not expect additional interest rate hikes in 2016, due in large part to an anticipated rate hold in the US.

### Key Risks

- The primary risks lie to the downside. Should oil prices fail to sustain a recovery in H216, the recession in T&T could be more severe than currently anticipated. In such a scenario, the CBTT could allow the Trinidadian dollar to depreciate more quickly than forecast, precipitating rising inflation, falling imports and a risk of capital flight.

#### Macroeconomic Forecasts (Trinidad & Tobago 2014-2017)

Indicator	2014	2015 <sup>e</sup>	2016 <sup>f</sup>	2017 <sup>f</sup>
Real GDP growth, % y-o-y	1.9	-2.1	-1.7	2.5
Nominal GDP, USDbn	28.2	26.6	24.9	24.6
Consumer price inflation, % y-o-y, eop	8.5	1.5	3.9	5.3
Exchange rate TTD/USD, eop	6.36	6.42	7.06	8.50
Budget balance, % of GDP	-2.5	-4.2	-6.1	-5.1
Current account balance, % of GDP	4.5	-5.0	-6.9	-4.0

e/f=BMI estimate/forecast; Source: National Sources/BMI

Thank you for downloading BMI's latest views, we hope you found the information insightful.

To find out more about how the extensive views, analysis and forecasts contained in the full report will help your company or to discuss your specific information needs please contact one of our experts on +44 (0)20 7246 5170