

Country Insight Snapshot Trinidad and Tobago

September 2017



Written 22 September 2017

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OVERVIEW

OVERALL COUNTRY RISK RATING: DB4c

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook: Stable

CORE OUTLOOK

+ Some non-energy sectors, such as construction and finance, have the potential to supersede natural resource extraction as the main contributors to medium- and long-term growth.

+ The government continues to strive for a favourable business environment, and will seek to elevate growth in the non-energy sector.

- Long-term business planning will be compromised by a vulnerability to negative exogenous shocks, particularly protracted declines in hydrocarbon prices.

- Until addressed, government bureaucracy, rising levels of violent crime and labour-market inefficiencies will undermine productivity and competitiveness.

KEY DEVELOPMENT

BPTT's announcement in June of two gas finds in its Savannah and Macadamia exploration wells will provide a welcome and significant boost to energy output.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

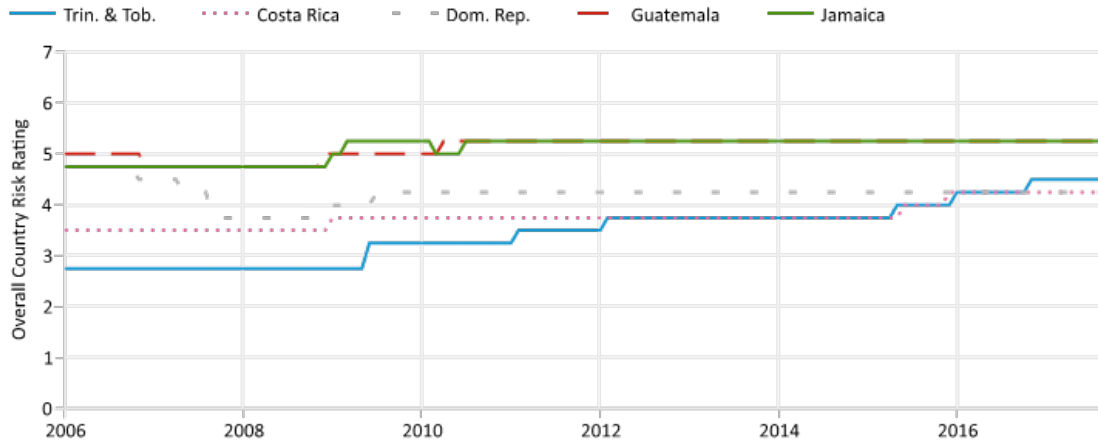
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

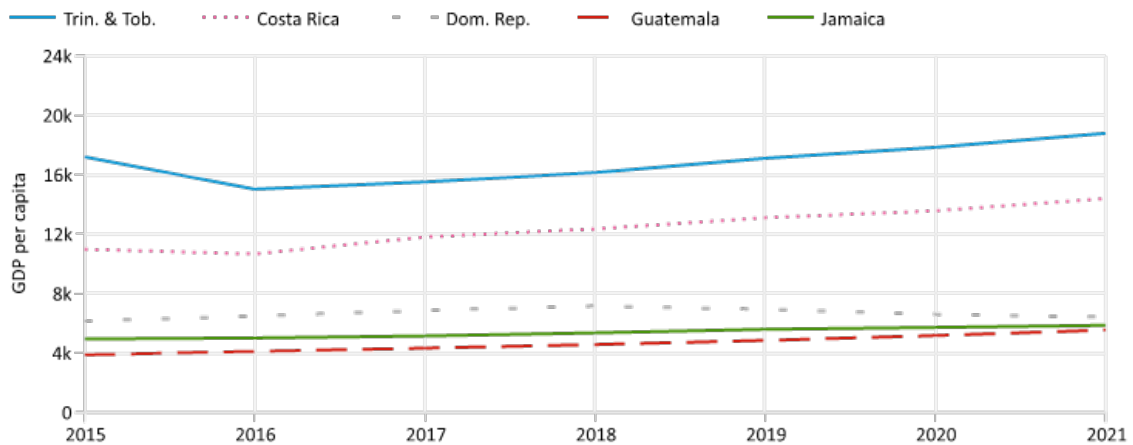
Rating History and Comparison



Source : Dun & Bradstreet

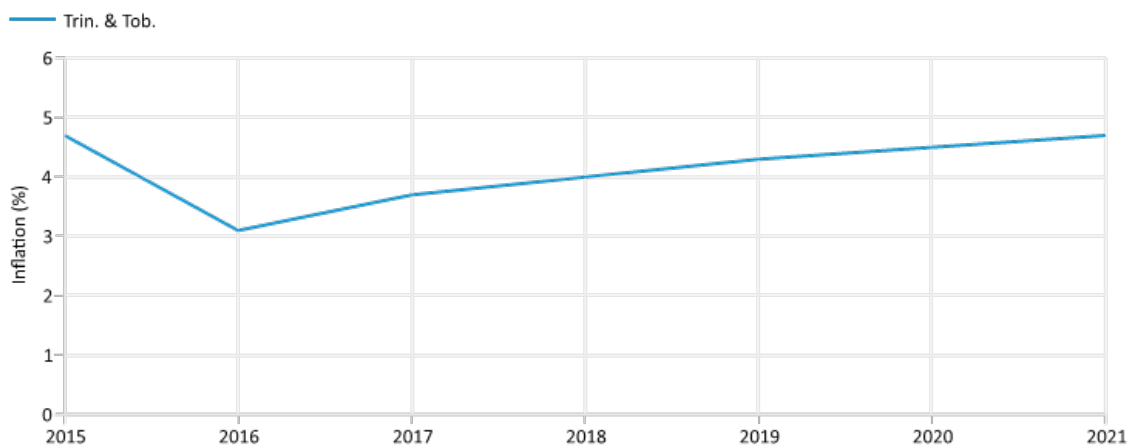
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Inflation (%)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	1.3	4.4	-8.0	-7.5	-5.8	-4.6	-2.8	-2.7
Govt balance, % GDP	-2.6	-4.2	-5.0	-4.5	-4.0	-3.5	-3.2	-3.3
Inflation, annual avge %	5.7	4.7	3.1	3.7	4.0	4.3	4.5	4.7
Real GDP Growth, %	-1.0	-0.6	-2.3	0.3	1.4	1.6	1.8	1.6
Unemployment, %	3.3	3.5	4.4	3.6	3.7	3.7	3.6	3.6

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Trinidad and Tobago's net official foreign reserves continued on a downward trajectory, declining by 15% y/y at end-August to USD8.71bn, with hydrocarbon prices remaining soft despite the gradual recovery this year. Current reserves holdings are equivalent to 10.1 months of import cover. While the central bank has continued to support the FX market with regular injections of foreign exchange, shortages persist, with businesses encountering difficulties in paying suppliers in a timely manner. Elsewhere, the TTD traded at an average of TTD6.7820:USD in August, down by 0.63% since January 2017. The weak TTD continues to increase debt-servicing problems for firms with US-denominated debt. The risk of non-payment and payment delays by local counterparties are elevated and we recommend the use of LC terms.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

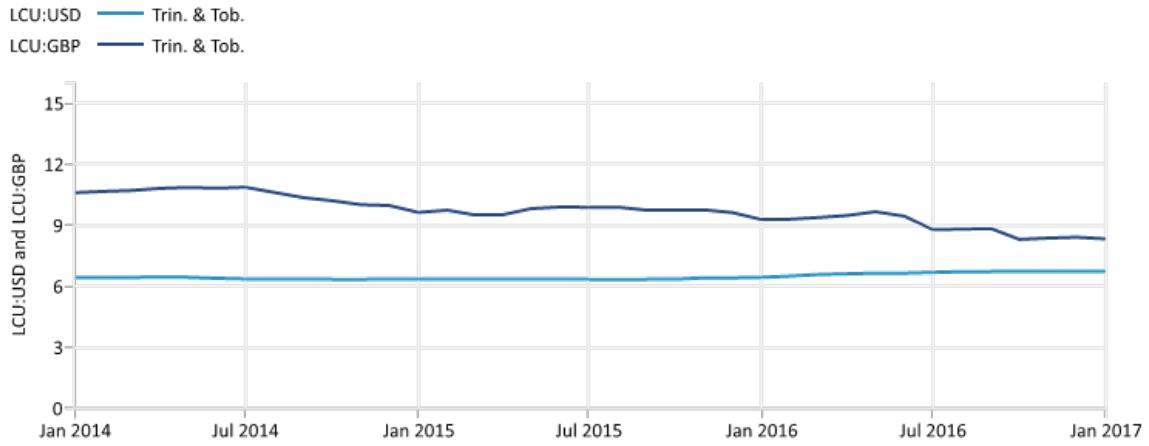
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



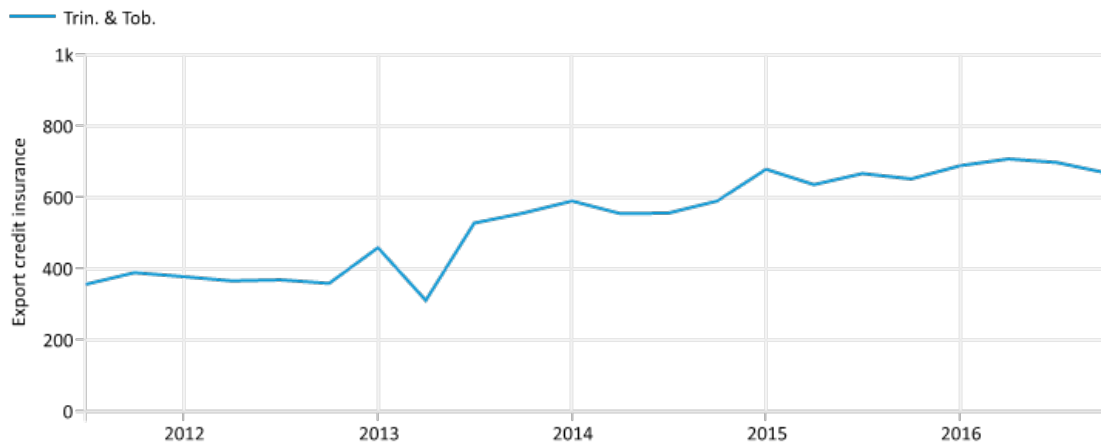
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Trinidad and Tobago dollar

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Natural gas finds to boost energy output

Against the backdrop of a fall in energy revenue due to a combination of lower energy production and weak energy prices, BPTT's announcement in June of two gas finds in its Savannah and Macadamia exploration wells is welcome news. This is expected to boost gas production by an estimated 590 million standard cubic feet a day (mmscfd). Meanwhile, activity in the non-energy sector remains lacklustre, challenged by weak activity in construction and other non-energy industries. Relatedly, in June 2017 the number of motor vehicles sold in the local market was 23% y/y lower, while output in the construction sector contracted by 18% in the same month, undoubtedly affected by the slowdown in the government's capital expenditure programme. Overall, we anticipate a modest uptick in economic activity in the short term due to positive energy-related spillovers and implementation of the new Investment Approval and Facilitation Framework, with risks still tilted to the downside.

Thus, it is against this backdrop that the budget for FY 2017/2018 will be presented on 2 October, and indicators suggest that there will be virtually no space for fiscal stimulus such as huge infrastructure projects. Indeed, for the fiscal period October 2016 to May 2017, total government revenue stood at TTD22.8bn, a 16% decline over the comparable period in 2015-2016. Consequently, given projected lower fiscal revenue, the budget is expected to focus on cutting expenditure and strengthening revenue administration and collection. Still, increased production from new natural gas fields this year could tip economic growth back into positive territory this year, albeit to a projected meagre 0.5%.

Business Regulatory Environment

Government moves to ease doing business procedures

In a bid to stimulate activity in the non-energy sector, a number of regulatory measures have been instituted to facilitate investment and ease business operations. In this regard, the government is implementing a national policy for special economic zones (SEZ). Among the incentives for operators within the SEZ are tax reductions and exemptions for export-focused investment in local manufacturing, customs duty and value-added tax exemptions for large-scale manufacturing and processing companies, and duty-free concessions of raw materials (machinery, equipment, packaging) for new manufacturing ventures. Key reforms have also been undertaken to ease the process of trade: port scanners are expected to be operational in Q4. This will have an immediate and significant effect on the private sector by considerably reducing the time and cost of importing and exporting goods. In addition, an automated system for construction permits is being developed, while the Single Electronic Window (SEW), a business-to-government portal designed to simplify foreign trade, will be expanded and enhanced to upgrade the service to reflect international best practices.



COUNTRY PROFILE AND STATISTICS

Overview

Trinidad and Tobago is made up of several islands in the southern Caribbean and is heavily industrialised, unlike most of its neighbours. The hydrocarbon sector is the main economic driver, with natural gas replacing oil as the main export product since the early 1990s; the energy sector accounts for 32% of GDP. Trinidad and Tobago served as the major source of LNG for the US market in the early 2000s and although US onshore gas has dented the country's efforts in North America, the country remains the largest oil and gas producer in the Caribbean and one of the largest exporters of LNG globally. The main non-energy sectors are tourism, manufacturing and financial services.

The political environment is quite stable and is based on a parliamentary system fashioned after the British model. After gaining independence from Britain in 1962, successive governments have adopted and maintained a pro-investor stance, and have implemented policies aimed at encouraging FDI, particularly in the hydrocarbon sector. Political party affiliation among the electorate largely follows ethnic lines. However, the rising crime rate has become of growing socio-economic concern, regardless of political leaning.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Keith ROWLEY
Capital	Port of Spain
Timezone	GMT -04-00
Official language	English
Population (millions)	1.4
GDP (USD billions)	20.6
GDP per capita (USD)	15,048
Life expectancy (years)	70.4
Literacy (% of adult pop.)	99.0
Surface area (sq km)	5,130

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	0.3	2.1	-1.0	-0.6	-2.3
Nominal GDP in USDbn	20	23	28	23	21
Nominal GDP in local currency (bn)	130	148	181	157	140
GDP per Capita in USD	15,171	17,057	20,757	17,224	15,048
Population (year-end, m)	1.3	1.3	1.4	1.4	1.4
Exchange rate (yr avge, USD-TCU)	6.4	6.4	6.4	6.7	6.8
Current Account in USDbn	0.8	1.8	0.4	1.0	-1.7
Current Account (% of GDP)	3.9	7.7	1.3	4.4	-8.0
FX reserves (year-end, USDbn)	9.2	10.0	11.3	9.9	9.5
Import Cover (months)	10.4	12.0	12.7	11.2	10.5
Inflation (annual avge, %)	7.4	4.5	5.7	4.7	3.1
Govt Balance (% GDP)	-0.2	-2.0	-2.6	-4.2	-5.0

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	0.3	1.4	1.6	1.8	1.6
Nominal GDP in USDbn	21	22	24	25	26
Nominal GDP in local currency (bn)	145	154	164	174	184
GDP per Capita in USD	15,535	16,164	17,126	17,867	18,810
Population (year-end, m)	1.4	1.4	1.4	1.4	1.4
Exchange rate (yr avge, USD-LCU)	6.8	6.9	6.9	7.0	7.0
Current Account in USDbn	-1.6	-1.3	-1.1	-0.7	-0.7
Current Account (% of GDP)	-7.5	-5.8	-4.6	-2.8	-2.7
FX reserves (year-end, USDbn)	9.3	9.6	10.1	10.5	10.4
Import Cover (months)	9.7	10.5	11.9	12.0	11.7
Inflation (annual avge, %)	3.7	4.0	4.3	4.5	4.7
Govt Balance (% GDP)	-4.5	-4.0	-3.5	-3.2	-3.3

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Trin. & Tob.	Costa Rica	Dom. Rep.	Guatemala	Jamaica
Income per Capita (USD)	15,535	11,831	6,890	4,348	5,168
Country Population (m)	1.4	4.9	10.8	17.0	2.9
Internet users (% of population)	73.3	66.0	61.3	34.5	45.0
Real GDP Growth (% p.a., 2017 - 2026)	2.0 - 5.0	3.4 - 6.0	2.4 - 5.8	2.0 - 5.5	-0.2 - 3.8

Source : Various sources/Dun & Bradstreet



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