INTERNATIONAL MONETARY FUND

IMF Country Report No. 22/73

TRINIDAD AND TOBAGO

March 2022

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TRINIDAD AND TOBAGO

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with Trinidad and Tobago, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 9, 2022, consideration of the staff report that concluded the Article IV consultation with Trinidad and Tobago.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 9, 2022, following discussions that ended on November 19, 2021, with the officials of Trinidad and Tobago on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 21, 2022.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Trinidad and Tobago.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.

PRESS RELEASE

PR 22/13

IMF Executive Board Concludes 2021 Article IV Consultation with Trinidad and Tobago

FOR IMMEDIATE RELEASE

Washington, DC – March 7, 2022: On February 9, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Trinidad and Tobago.[1]

The combined effects of COVID-19 and energy production and price shocks took a heavy toll on Trinidad and Tobago's economy. Real GDP contracted by 7.4 percent in 2020 and is estimated to further contract by about 1 percent in 2021. Inflation remained mostly subdued but the recent surge in international food and energy prices has pushed it up to 3.9 percent by October 2021.The fiscal position worsened significantly during FY2020-21 due to lower energy proceeds and outlays to mitigate the pandemic. The fiscal deficit widened to 11.6 percent of GDP in FY2020 and remained elevated at 10.1 percent of GDP in FY2021. As a result of the large deficits and the GDP contraction, central government debt increased from 45.4 percent of GDP in FY2019 to 65.9 percent of GDP in FY2021.

A strong economic recovery is projected for 2022, with downside risks predominating. Real GDP growth in 2022 is expected at 5.5 percent, reinforced by the continued policy support and the anticipated recovery in oil and gas production. With demand pressures contained, inflation in 2022 is projected at about 2.8 percent. The fiscal deficit is expected to decline to 7.5 percent of GDP in FY2022, reflecting a combination of high revenue mobilization and modest spending cuts. Central government debt will peak at 68.8 percent of GDP in FY2023 and gradually decline thereafter. Risks are tilted to the downside due to pandemic-related uncertainty, the country's vulnerability to oil and gas production disruptions, and negative spillovers from global and regional shocks.

Executive Board Assessment[2]

Directors noted that Trinidad and Tobago was severely hit by the pandemic and commended the authorities' decisive policy response to mitigate its economic and health impact. While a growth rebound is expected, driven by domestic demand and the recovery in energy production, the outlook is still subject to risks stemming from pandemic-related uncertainties and energy price volatility. Against this background, Directors urged the authorities to accelerate the vaccination rollout alongside supportive macroeconomic policies aimed to minimize scarring and support the recovery, while implementing structural reforms and strengthening climate resilience to promote medium-term growth.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

700 19th Street NW
Washington, DC 20431
USA

Directors supported continued temporary and targeted spending to mitigate the effects of the pandemic. Once the recovery has strengthened, a growth-friendly and inclusive fiscal consolidation will be needed over the medium term to place public debt on a downward trajectory. To support the fiscal adjustment, Directors encouraged the authorities to adopt a well-designed medium-term fiscal framework with a clear fiscal rule, which would strengthen multi-year fiscal discipline, avoid procyclicality, and mitigate risks. They also highlighted the need to improve public spending efficiency and reduce fiscal transfers to SOEs.

Directors agreed that the current accommodative monetary policy stance is appropriate. Going forward, monetary policy action should remain data dependent and stand ready to change if inflationary pressures materialize, capital outflows intensify, or the recovery falters. Directors stressed the importance of modernizing foreign exchange and money market infrastructure to reduce inefficiencies and imbalances and to support the exchange rate arrangement. They called on the authorities to eliminate exchange restrictions on current payments and multiple currency practices in a planned manner.

Directors welcomed the banking sector's resilience during the pandemic. They underscored that careful monitoring of financial conditions to detect any buildups of vulnerabilities remains essential and called for further strengthening of the regulatory and supervisory frameworks. Directors commended the country's successful exit from the Financial Action Task Force's grey list and emphasized the need for further efforts to strengthen the AML/CFT framework, including by addressing issues related to tax transparency and exchange of information.

Directors agreed that comprehensive structural reforms are needed to promote the non-energy sector and boost potential growth. They emphasized the importance of strengthening the economy's resilience to climate change and welcomed the authorities' commitment to reducing greenhouse gas emissions. Directors encouraged the authorities to continue with their efforts to bridge existing data gaps.

Trinidad and Tobago: Selected Economic Indicators, 2017–22

GDP per capita (U.S. dollars, 2020)	15,265	Adult literacy rate (2010)	99
Population (millions, 2020)	1.40	Unemployment rate (Q2 2020)	5.2
Life expectancy at birth (years, 2019)	73.5	Human Development Index	
Under 5 mortality rate (per thousand, 2019)	17.5	(2019, of 189 economies)	67

	2017	2018	2019	2020	Est. 2021	Proj. 2022
	(Annual percentage change, unless otherwise indicated)					
National income and prices						
Real GDP	-2.7	-0.7	-0.2	-7.4	-1.0	5.5
Energy	-0.2	-3.4	-4.0	-12.2	-1.1	12.9
Non-energy 1/	-4.0	0.8	1.9	-4.9	-0.9	2.0
GDP deflator	8.2	3.4	0.2	-3.4	1.6	2.8
CPI inflation (end-of-period)	1.3	1.0	0.4	0.8	2.4	3.2
CPI inflation (period average)	1.9	1.0	1.0	0.6	1.6	2.8
Unemployment rate	4.4	3.5	4.3	4.7	5.4	...
Real effective exchange rate	-2.6	-1.3	-0.7	-1.5	-1.3	...
	(In percent of fiscal year GDP)					
Central government finances 2/						
Central government primary balance	-7.9	-3.0	-0.5	-8.2	-6.2	-4.1
Of which: non-energy primary balance 3/	-18.2	-15.1	-15.1	-19.3	-19.9	-21.8
Central government overall balance	-10.8	-5.9	-3.7	-11.6	-10.1	-7.5
Budgetary revenue	21.2	24.5	27.0	22.8	24.9	25.8
Energy	6.2	8.3	11.0	7.6	8.4	10.5
Non-energy	15.0	16.2	16.0	15.2	16.5	15.3
Budgetary expenditure	32.0	30.5	30.6	34.3	35.0	33.3
Of which: current expenditure	29.8	28.3	29.1	31.7	32.9	31.2
Of which: interest expenditure	2.9	3.0	3.1	3.4	3.9	3.4
Of which: capital expenditure	2.2	2.2	2.3	2.7	2.1	2.1
Central government debt 4/	41.5	41.8	45.4	59.3	65.9	68.7
Public sector debt 5/	59.2	58.4	61.9	79.6	87.2	88.4
Heritage and Stabilization Fund assets	25.2	25.2	26.2	26.1	26.2	25.3
	(In percent of GDP, unless otherwise indicated)					
External sector						
Current account balance	6.1	6.8	4.3	0.1	11.2	18.6
Exports of goods (annual percentage change)	13.4	11.5	-18.5	-31.9	75.6	24.5
Imports of goods (annual percentage change)	-9.0	2.6	-8.8	-17.2	17.4	8.1
Terms of trade (annual percentage change)	0.5	0.5	-0.2	-0.7	1.0	-0.1
External public sector debt	16.2	16.2	17.1	22.8	22.0	22.8
Gross official reserves (in US$ million)	8,370	7,575	6,929	6,954	6,803	5,925
In months of goods and NFS imports	10.5	9.9	10.4	10.9	10.0	8.8
	(Annual percentage change)					
Money and credit						
Net foreign assets	-9.3	-6.5	-6.4	5.9	-2.2	-8.3
Net domestic assets	26.8	18.4	18.3	10.2	1.3	20.8
Of which: private sector credit	4.9	4.0	4.4	-0.3	-0.3	8.4
Broad money (M3)	-0.4	1.2	2.9	7.1	-0.3	4.2
Memorandum items:						
Nominal GDP (in TT$ billion)	157.2	161.3	161.3	144.4	145.3	157.6
Non-energy sector (in percent of GDP)	77.0	74.4	77.1	83.5	69.7	66.5
Energy sector (in percent of GDP)	23.0	25.6	22.9	16.5	30.3	33.5
Public expenditure (in percent of non-energy GDP)	41.2	40.6	40.1	42.0	47.8	49.5
Exchange rate (TT$/US$, end of period)	6.78	6.77	6.76	6.76	...	...
Holdings of SDRs, in millions of U.S. dollars	343	335	334	348	1087	1103
Crude oil price (US$ per barrel)	52.8	68.3	61.4	41.3	69.8	75.7
Henry Hub natural gas price (US$ per MMBtu)	3.0	3.2	2.6	2.0	3.9	4.2

Sources: Trinidad and Tobago authorities; UN Human Development Report; WEO; and IMF staff estimates and projections.

1/ Includes VAT and Financial Intermediation Services Indirectly Measured (FISIM).

2/ Data refer to fiscal year, for example 2019 covers FY2019 (October 2018-September 2019).

3/ Defined as non-energy revenue minus expenditure (net of interest payments) of the central government, as a share of non-energy GDP.

4/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the CBTT.

5/ Includes central government debt and guaranteed debt of non-self serviced SOEs and public bodies.

INTERNATIONAL MONETARY FUND

TRINIDAD AND TOBAGO

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

January 21, 2022

KEY ISSUES

Context. Trinidad and Tobago faced unprecedented challenges in 2020–21. The combined effects of COVID-19 and energy production and price shocks pushed the economy further into recession. A decisive policy response helped contain the virus spread and protect lives and livelihoods. The fiscal position worsened due to significant tax revenues shortfalls, pushing public debt up. The vaccination pace accelerated recently, but vaccine hesitancy remains high, amid a potential new wave of infections.

Outlook and risks. Real GDP growth is projected to rebound strongly in 2022 on the back of continued policy support, the recovery of domestic demand, and higher oil and gas production. Still, output would remain below pre-COVID-19 levels well into the medium term. Risks are tilted to the downside due to pandemic-related uncertainty, the country's vulnerability to oil and gas production disruptions, and negative spillovers from global and regional shocks.

Focus of the Article IV consultation. Discussions focused on policies to support the economic recovery while safeguarding fiscal and debt sustainability, reinforcing financial sector stability, and accelerating reforms needed to enhance potential growth.

- **Near-term**. Continue providing targeted fiscal and financial sector support measures to mitigate the impact of COVID-19 until the recovery is firmly underway. Monetary policy should remain accommodative if inflation and capital outflow pressures remain contained. The authorities should be vigilant about any build-up of financial vulnerabilities and ensure banks' capital buffers are adequate.

- **Medium-term**. Once the recovery takes hold, focus on implementing an ambitious growth-friendly and inclusive medium-term consolidation strategy to reduce public debt, enhance fiscal transparency, foster confidence and rebuild buffers. Efforts to strengthen the financial supervisory framework should continue.

- **Structural policy**. To foster inclusive growth, it will be important to continue nurturing the business environment and facilitating economic transformation and promoting entrepreneurship. Advancing efforts to build a climate-resilient economy is also important.

Approved By
James Morsink (WHD) and Martin Sommer (SPR)

Discussions took place virtually during November 8–19, 2021. The team comprised Roberto Garcia-Saltos (head), Ali Al-Sadiq, Olga Bespalova, Hussein Bidawi, and Beatriz Nunes (all WHD). Reshma Mahabir (OED) participated in the discussions. James Morsink (WHD) attended the concluding meeting. The mission held discussions with Minister of Finance Colm Imbert, Central Bank governor Alvin Hilaire, and their teams, and other public and private sector representatives. Nischel Pedapudi and Anahit Aghababyan (all WHD) assisted with the preparation of this report.

CONTENTS

TABLES

ANNEXES

ACRONYMS

AEOI	Automatic Exchange of Financial Account Information
AML/CFT	Anti-money Laundering and Combating Terrorism Financing
ARA EM	Assessing Reserve Adequacy
BO	Beneficial Ownership
CA	Current Account
CAPB	Cyclically Adjusted Primary Balance
CAR	Capital Adequacy Ratio
CARTAC	Caribbean Technical Assistance Center
CBTT	Central Bank of Trinidad and Tobago
CFATF	Caribbean Financial Action Task Force
CO2	Carbon Dioxide Emissions
CR	Reporting Procedure
DIC	Deposit Insurance Corporation
EBA	External Balance Assessment
e-GDDS	Enhanced General Data Dissemination System
EM-DAT	Emergency Events Database
EOIR	Exchange of Information on Request
EU	European Union
FASP	Financial Sector Assessment Program
FATF	Financial Action Task Force
FX	Foreign Exchange
GDP	Gross Domestic Product
GFA	Gross Foreign Asset
GFNs	Gross Financing Needs

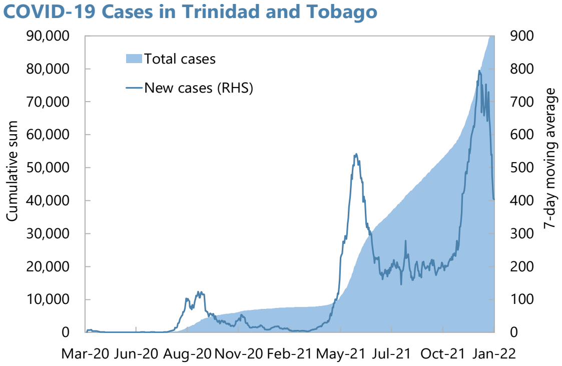
GHG	Greenhouse Gas
GIR	Gross International Reserve
HSF	Heritage Stabilization Fund
MAC DSA	Market Access Countries Debt Sustainability Analysis
MER	Mutual Evaluation Report
MOF	Ministry of Finance
MTFF	Medium-term Fiscal Framework
NIIP	Net International Investment Position
NPLs	Non-performing Loans
NSDP	National Summary Data Page
OECD	Organization of Economic Co-operation and Development
OED	Office of Executive Director
RA	Research Assistant
SDR	Special Drawing Rights
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
T&TEC	Trinidad and Tobago Electricity Commission
TA	Technical Assistance
TTSEC	Trinidad and Tobago Securities and Exchange Commission
VAT	Value-added Tax
WASA	Water and Sewerage Authority
WHD	Western Hemisphere Department

CONTEXT

1. **Before the COVID-19 pandemic, Trinidad and Tobago was recovering from a prolonged recession.** During 2016–19, the economy experienced a deep recession driven by energy supply and price shocks, which weakened domestic demand and adversely impacted fiscal and external positions. Real GDP growth was expected to turn positive in 2020 and pick up over the medium term, as energy projects came on stream and domestic demand recovery took hold.

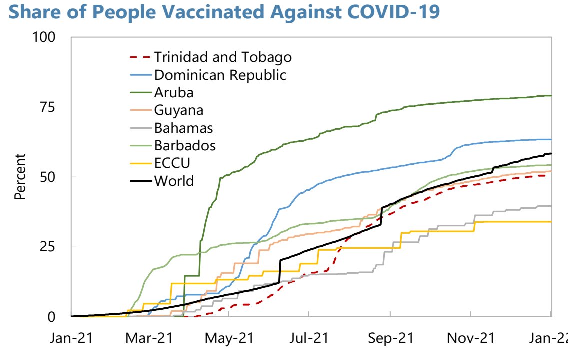
2. **COVID-19, domestic supply shocks in the energy sector, and weak global demand derailed the incipient recovery.** Stringent COVID-19 containment measures severely impacted non-energy domestic activity (Box 1). Energy production declined significantly in 2020 and further in early 2021 due to unanticipated maintenance in some energy facilities and the closure of several petrochemical plants. Combined with weaker global demand and the drop in energy prices in 2020, these factors substantially lowered energy exports and fiscal revenues. Headline inflation fell while labor market conditions weakened considerably, causing an upsurge in retrenchments, temporary layoffs, and a reduction in working hours and labor force participation.

COVID-19 Cases in Trinidad and Tobago



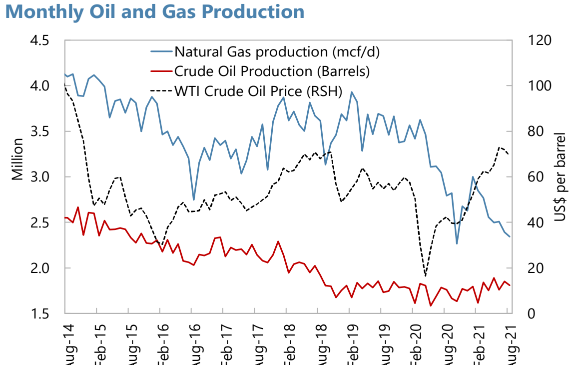
Sources: Our World In Data and IMF staff calculations.

Share of People Vaccinated Against COVID-19



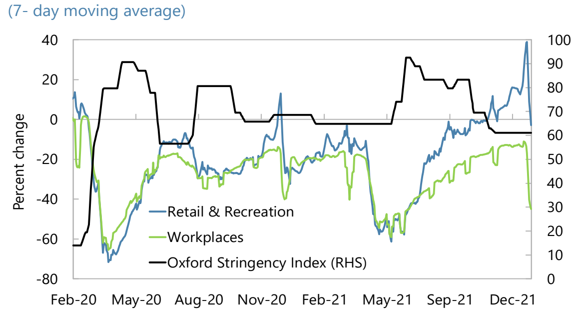
Sources: Our World In Data and IMF staff calculations.
Note: ECCU accounts for the average vaccination rate of member countries.

Monthly Oil and Gas Production



Sources: Central Bank of Trinidad and Tobago; and IMF staff calculations.

Impact of Lockdown on Trinidad and Tobago
(7- day moving average)



Sources: Google Mobility Statistcs; University of Oxford; Haver; and IMF staff calculations.
Note: LHS indexes show how the number of visitors (or time spent) in categorized establishments has changed compared to a pre-pandemic baseline period (from 1/3/2020 to 2/6/2020).

3. **The government has made some progress in implementing key reforms.** The incumbent People's National Movement led by Prime Minister Keith Rowley won the 2020 general election and holds a second term until 2025. The government secured the approval of key legislation, including a new Insurance act to enhance the sector's regulation and supervision framework; a Gambling sector law, which is expected to yield about 0.3 percent of GDP of additional taxes over the medium term;

the Revenue Authority bill, which is expected to enhance revenue mobilization; and the Special Economic Zones (SEZs). In addition, the framework to establish a new property tax scheme is being implemented; the government, however, is facing challenges to ensure a critical mass of properties reporting proper valuation. The necessary reform on the Public Procurement is pending parliament approval (Annexes I, VII).

Box 1. COVID-19: Authorities' Policy Responses

The authorities moved decisively to contain the pandemic quickly after the first case of COVID-19. They introduced a complete lockdown during March-April 2020, closed borders, and restricted certain economic activities. A gradual reopening began in May-June 2020 but was interrupted by partial restrictions re-introduced in mid-2021, to combat a second wave; and the borders remained closed until mid-July 2021. Vaccination has accelerated, reaching the level of regional peers (about 48 percent of total population is fully vaccinated as of January 2nd, with the target of 70 percent by end-2022).

Timeline of COVID-19 Measures in Trinidad and Tobago (March 2020 - November 2021)

	Containment measures	Eased measures
1/30/2020	Inbound travel restrictions from China	
02/27/20	Mandatory quarantine upon entry	
03/16/20	School closing	
03/16/20	Restrictions on gatherings	
03/23/20	Ban on international travel	
03/30/20	Lockdown	
05/15/20		Gradual reopening began
07/20/20		Reopening of schools
08/17/20	New restrictions imposed	
09/05/20		Nationals are allowed to return
12/21/20	Extented mandatory quarantine	
02/08/21		Partially reopening of secondary schools
02/22/21		Vaccination begins
03/31/21		First shipment of vaccines arrives
04/29/21	Closing of shopping malls, restaurants, places of worship, beauty salons	
05/12/21		Second shipment of vaccines arrives
05/17/21	State of emergency imposed: nightly curfew and a ban on public gatherings	
11/24/21		State of emergency lifted

Sources: Local news and IMF staff complilations.

2020-21 Fiscal Responses to COVID-19

Measures	TT$ million	Percent of GDP
TAX Refunds	**4,099**	**2.8**
VAT	3,765	2.5
Income Tax	334	0.2
Financial Support	**741**	**0.5**
To Caribbean Airlines (loan)	442	0.3
Salary Relief Grants (2020-21)	177	0.1
To Credit Unions	100	0.1
Other 1/	22	0.0
Social Protection	**390**	**0.3**
Food support program	305	0.2
Other 2/	85	0.1
Health Sector (EPE)	**331**	**0.2**
Other Support	**355**	**0.2**
SMEs (loan program)	300	0.2
Tobago hoteliers	50	0.0
Tobago House of Assembly Enterprise Development Fund	5	0.0
Total	**5,835**	**4.0**

Sources: Trinidad and Tobago authorities and IMF staff calculations.
1/ includes fuel relief grans (Maxi taxi) and cultural relief grants.
2/ includes Trinidad Regional Health Authorities, Tobago Regional Health Authorities, Mask Distribution, Sanitization and protective equipment of police service.

Targeted fiscal support in 2020–21 amounted to about 4 percent of GDP. It included: salary relief to workers who were laid-off or faced reduced working hours due to COVID-19; VAT and income tax refunds to individuals and SMEs; liquidity support to individuals and small businesses via credit union loans; grants to hoteliers to upgrade their facilities; food, rental, and income support to low-income vulnerable groups; and import duty and VAT waivers on imports of certain medical and emergency supplies.

Monetary, FX, Financial Policy: COVID-19 Measures

Instrument	Measure
	Monetary Policy
Reserve Requirement (RR)	RR on commercial bank deposits was cut by 300 bps to 14 percent; allowed to release about TT$ 4.3 billion liquidity into economy.
Policy rate	Reduced by 150 bps to 3.5 percent.
Prime lending rates	Reduced by 175 bps to 7½ percent.
Mortgage rates	Suspended calculation of reference mortgage rates for 2 years from 10/01/2021, giving financial institutions more autonomy to lower them.
	FX policy
FX provisions	Established a special FX window through the EximBank to ensure uninterrupted imports of food and pharmaceuticals.
	Financial sector
Refinancing and loan deferrals	Banks offered deferred payments and refinanced existing loans for longer terms at lower rates.
Flexibility in loan restructuring	Limit to restructure loans increased from 1 to 2 for commercial loans (in lifetime) and for mortgages (in 5-year period) without their downgrading to non-performing status.
Loan moratorium on treatment restructured and deferred loans	Maintain debtor rating for refinanced and deferred loans through 09/30/2021; added flexibility in restructuring selected loans, without increasing impairment, for a one year from October 1, 2021.

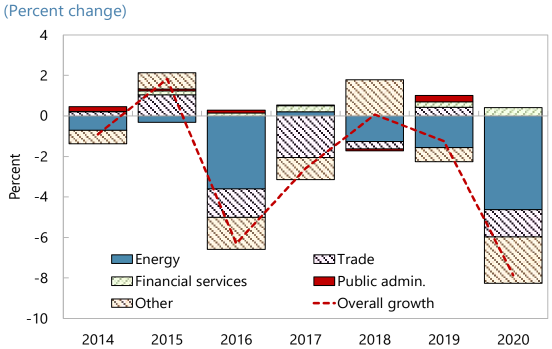
Source: CBTT

The Central Bank of Trinidad and Tobago (CBTT) moved quickly to ensure adequate liquidity in the system and preserve financial stability. In March 2020, it reduced the policy rate and reserve requirement, and temporarily relaxed the regulatory treatment of restructured loans (for payment deferrals, rate reductions, and waivers of penalty charges) that were previously performing. Commercial banks lowered prime lending rates by 175 bps to 7½ percent and facilitated loan restructuring. Also, a special foreign exchange window through the EximBank was established to ensure the uninterrupted imports of food and pharmaceuticals.

RECENT DEVELOPMENTS

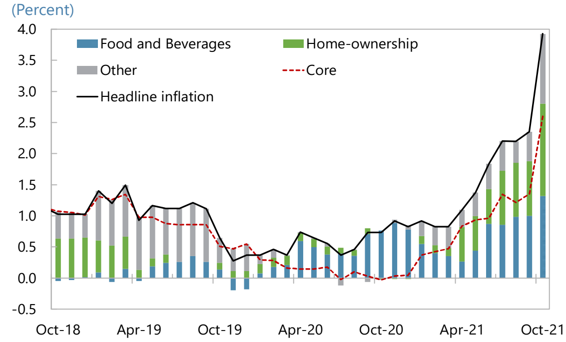
4. **The economy experienced an unprecedented economic downturn in 2020–21.** Real GDP contracted by 7.4 percent in 2020, reflecting a significant decline in the energy sector (12.2 percent), while the non-energy sector fell by 4.9 percent. In 2021, real GDP is estimated to have fallen further by about 1 percent due to the continued disruption to gas production, the closure of petrochemical plants, and a delayed economic reopening—caused by a prolonged second wave of COVID-19. Weak domestic demand lowered headline inflation to 0.8 percent in 2020, but the recent surge in international food prices pushed inflation up to 3.9 percent by October 2021. The unemployment rate increased to 5.1 percent in June-2020 (from 4.2 percent in March 2020).

Contributions to Real GDP Growth
(Percent change)



Sources: Central Statistical Office and IMF staff calculations.

Inflation, 2018-21
(Percent)



Sources: Central Statistical Office; and Haver.

5. **The fiscal deficit and government debt rose sharply.** The overall fiscal deficit widened to 11.6 percent of GDP in FY2020 (from 3.7 percent of GDP in FY2019), driven mostly by lower energy tax proceeds and outlays to mitigate the pandemic. The overall fiscal deficit in FY2021 remained elevated at 10.1 percent of GDP, mainly due to continued weak revenue performance, despite the authorities' tax amnesty exercise. Fiscal financing was obtained by additional bond placements, withdrawals from the sovereign Heritage Stabilization Fund (HSF), and borrowing from international financial institutions. Central government debt rose sharply to 65.9 percent of GDP in FY2021 (45.4 percent of GDP in FY2019). Notwithstanding the increased financing needs, by end-September 2021, the country maintained large financial buffers, with the HSF assets valued at US$5.6 billion (26 percent of GDP) and sinking-fund assets at 4.1 percent of GDP at end-FY2021.

Summary of Fiscal Operations

Central Government Fiscal Operations
(Percent of GDP)

	FY2019	FY2020	FY2021
Total Revenue and Grants	**27.0**	**22.8**	**24.9**
Energy Sector	11.0	7.6	8.4
Non-energy Sector	16.0	15.2	16.5
Tax Revenue	12.5	12.3	13.8
Non-tax Revenue	3.4	2.9	2.7
Total Expenditure	**30.6**	**34.3**	**35.0**
Current	29.1	31.7	32.9
Wages and salaries	5.7	6.2	6.3
Goods and services	4.0	3.9	3.9
Interest payments	3.1	3.4	3.9
Transfers and subsidies	16.4	18.1	18.8
Capital expenditure and net lending	1.5	2.7	2.1
Overall balance	**-3.7**	**-11.6**	**-10.1**
Central government debt	45.4	59.3	65.9

Sources: Trinidad and Tobago authorities and IMF staff calculations.

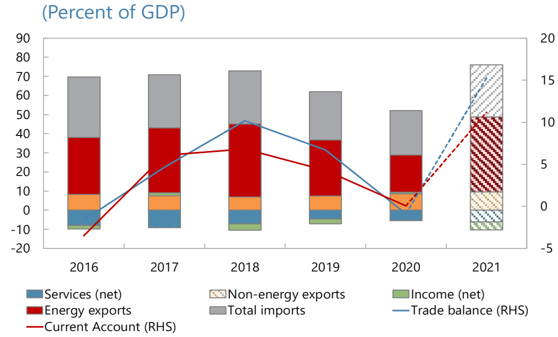
Source of Budget Financing
(Percent of GDP)

	FY2020	FY2021
Net domestic financing	**2.3**	**5.9**
Domestic borrowing	7.7	10.0
Debt repayments	-5.4	-4.1
Net external borrowing	**4.5**	**-0.6**
International Bonds	2.3	0.0
IDB	0.6	0.0
CAF	1.8	0.0
Export and Insurance Corporation	0.5	0.0
Other	0.0	0.2
Debt repayments	-0.7	-0.8
Others	**4.8**	**4.8**
HSF	4.5	4.2
Sale of assets	0.3	0.6
Total	**11.6**	**10.1**

Sources: Trinidad and Tobago authorities and IMF staff calculations.

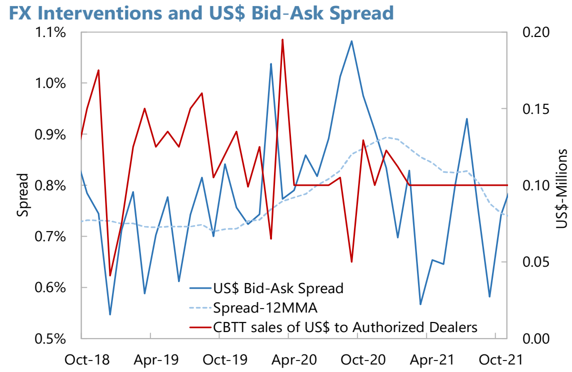
6. **The external position in 2020 was weaker than implied by fundamentals and desirable policies.** The current account balance further deteriorated in 2020 to 0.1 percent of GDP, reflecting a sharp contraction in energy exports, which exceeded a decline in imports. The current account gap is estimated at -3.4 percent, suggesting a currency overvaluation of 11.6 percent, according to the EBA-Lite model (Annex IV). The government's external borrowing and recent HSF withdrawal supported reserve levels in 2020 to stabilize at $6.95 billion, despite continued capital outflows. In 2021, the rebound in energy prices is estimated to have improved the current account balance to a surplus of about 11.2 percent of GDP. While FX shortages persist, the CBTT's FX interventions have become more predictable in 2021. Reserves are expected to slightly decrease to US$6.8 billion by end-2021, notwithstanding the new SDR allocation.[1]

Contribution to Current Account Balance
(Percent of GDP)



Sources: Trinidad and Tobago authorities; and IMF staff calculations.

FX Interventions and US$ Bid-Ask Spread



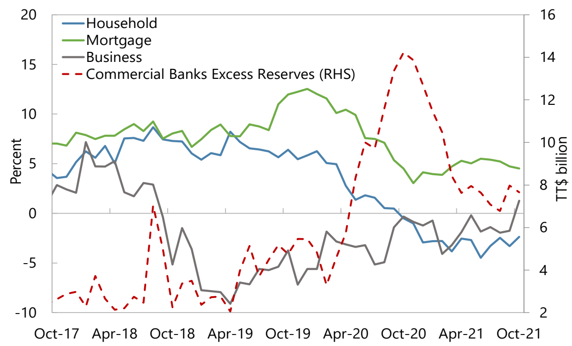
Sources: Central Bank of Trinidad and Tobago and IMF staff calculations.

7. **Despite the economic downturn, the financial sector remains stable.** Through end-September 2021, banks remained well capitalized and liquid (with stable capital adequacy ratio (CAR) of 17.2 percent and liquid assets to total assets of 19.9 percent, compared to 17.1 and

[1] The authorities indicated that they are still exploring the possible use of their new SDR holdings.

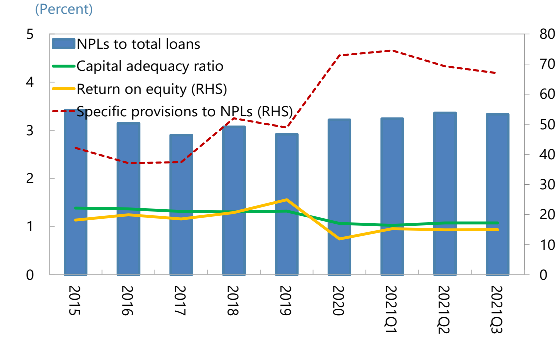
22.4 percent at end-2020). Profitability declined moderately, driven by decreasing interest margins. Non-performing loans (NPLs) slightly increased but remained moderate at 3.2 percent in 2020 and 3.3 percent at end-September 2021, with loan-loss provisioning at 89.6 and 85.5 percent of impaired loans, respectively. Nevertheless, loan deferrals could have limited the impact on NPLs and may not yet fully reflect the pandemic effect on asset quality. Credit to private sector growth dropped in 2020, because of a deceleration in both consumer and business credit and remained weak through end-September 2021, despite the excess liquidity in the system and lower interest rates. The insurance sector has recovered from claims related to recent climate events in the region, while the long-awaited new insurance legislation expected to strengthen the supervisory regime was enacted in January 2021.

Private Sector Credit Growth and Banks' Excess Reserves



Sources: Central Bank of Trinidad and Tobago; and IMF staff calculations.

Financial Soundness of the Banking System
(Percent)

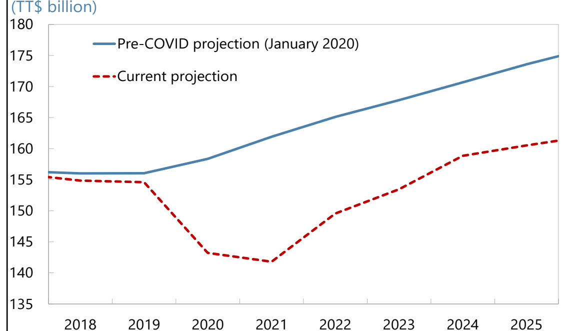


Sources: Central Bank of Trinidad and Tobago; and IMF staff calculations.

OUTLOOK AND RISKS

8. The economy is projected to rebound strongly in 2022. The anticipated recovery in domestic demand and energy production—including from the new gas and oil fields—is expected to boost real GDP growth to 5.5 percent in 2022. The projections assume that the domestic spread of the pandemic would remain contained at moderate levels, and global activity would resume gradually. Over the medium term, the energy sector is projected to plateau, and real output growth to slow to potential of about 1 percent. With demand pressures contained, inflation in 2022 would remain at about 2.8 percent.

Real GDP
(TT$ billion)



Sources: Trinidad and Tobago authorities and IMF staff calculations.

9. While the fiscal deficit is expected to narrow, public debt will remain high. Staff projects the fiscal deficit to decline to 7.5 percent of GDP in FY2022, reflecting a combination of a higher revenue mobilization and modest spending cuts. Over the medium term, the fiscal deficit is projected to gradually narrow and reach balance by FY2027. The MAC DSA shows that central

Gross public debt would also gradually decline to 76.6 percent of GDP by FY2027 which would remain well above the government's soft debt target of 65 percent of GDP over the projection horizon.[2] Gross financing needs would remain at around 7 percent of GDP (Annex V).

10. The current account (CA) is projected to remain in surplus. The fast recovery in the energy sector would boost the CA surplus to 18.6 percent of GDP in 2022 and would help stabilize the CA surplus over the medium term at average of 11.8 percent of GDP. External buffers are forecast to remain adequate—113 percent of ARA EM metric in 2027. Nonetheless, reserves are projected to decline over the medium term, averaging eight months of imports, as residents continue to invest abroad, and the FX intervention policy continues.

11. Risks are tilted to the downside. The primary source of risks relates to the evolution of the pandemic, as new virus strains and delays in the global vaccination rollout could derail the global recovery, adding more volatility to the energy sector, already subject to production and project delays. The lingering effects of the recession and regional exposures to natural disasters could exacerbate financial sector risks. Increased global greenhouse gas (GHG) mitigation efforts could reduce fossil fuel prices over the medium term. On the upside, stronger-than-projected global recovery could result in higher energy prices, improving the fiscal and external positions. Faster containment of the pandemic and implementation of key structural reforms could also boost non-energy sector growth.

Medium-Term Projections under the Baseline Scenario

					Est.	Projections					
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	(Annual percentage change, unless otherwise indicated)										
Output and Inflation											
Real GDP growth (in percent)	-2.7	-0.7	-0.2	-7.4	-1.0	5.5	2.6	3.5	1.1	1.0	1.0
Consumer Prices (eop)	1.3	1.0	0.4	0.8	2.4	3.2	2.3	2.0	1.9	1.9	2.0
	(In percent of GDP)										
Central Government Finances											
Overall fiscal balance	-10.8	-5.9	-3.7	-11.6	-10.1	-7.5	-4.1	-2.2	-1.3	-0.6	0.0
Of which: non-energy balance	-17.0	-14.3	-14.7	-19.2	-18.5	-18.0	-15.1	-13.3	-12.1	-11.3	-10.7
Primary balance	-7.9	-3.0	-0.5	-8.2	-6.2	-4.1	0.0	1.9	2.7	3.3	3.8
Of which: non-energy primary balance 1/	-18.2	-15.1	-15.1	-19.3	-19.9	-21.8	-15.7	-12.7	-10.9	-9.7	-9.0
Central government debt 2/	41.5	41.8	45.4	59.3	65.9	68.7	68.8	67.4	66.2	64.9	63.1
Public sector debt 3/	59.2	58.4	61.9	79.6	87.2	88.4	87.0	84.0	81.8	79.5	76.6
External Sector											
Current account balance	6.1	6.8	4.3	0.1	11.2	18.6	15.1	11.8	10.9	10.5	10.5
Gross official reserves (US$ millions)	8,370	7,575	6,929	6,954	6,803	5,925	5,762	5,570	5,325	5,095	5,025
In months of imports	10.5	9.9	10.4	10.9	10.0	8.8	8.4	8.0	7.6	7.3	7.1

Sources: Trinidad and Tobago authorities and IMF staff calculations.
1/ In percent of non-energy GDP. For FY2022, the non-energy primary balance would be -19.8 percent of non-energy GDP once it includes the authorities' intention to accelerate VAT refunds of 1.9 percent of non-energy GDP.
2/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the CBTT.
3/ Includes central government debt and guaranteed debt of non-self serviced SOEs and public bodies.

[2] Public debt target includes central government debt and guaranteed debt of SOEs and statutory authorities. Net debt, considering the HSF (26 percent of GDP), is much lower. Note that the HSF is conceived both as a consumption smoothing and intergenerational transfer mechanism, and therefore constitutes an additional buffer.

Authorities' Views

12. **The authorities broadly agreed with staff's assessment of risks but were more sanguine about growth prospects.** They anticipate a slightly stronger rebound in both energy and non-energy sectors, supported by upcoming energy projects and vaccine acceleration. Going forward, the authorities see the energy sector as the primary driver of the economy in the short term while expecting that the ambitious structural reforms agenda embedded in the "*RoadMap for Trinidad and Tobago*" would help diversify the economy, incentivize private investment, and accelerate activity in the non-energy sector in the medium term. They agree with moderate risks to this growth outlook, stemming from the pandemic disruptions, including to supply-chains, and unexpected shifts in energy production.

POLICY DISCUSSIONS

The discussions focused on adopting a policy mix in the near term that ensures enough fiscal policy support for efforts to preserve lives and livelihoods affected by COVID-19, while creating the conditions to safeguard fiscal and debt sustainability, reinforce financial stability, and boost potential growth over the medium term. Defeating the pandemic and firming up the recovery—including broadening of the vaccine rollout—is the immediate priority.

A. Near-Term Policies to Ensure a Sustained Recovery

13. **Efforts to mitigate the impact of COVID-19 and support the economy are the immediate priority.** The policy support measures—including the vaccine rollout—should continue to provide targeted support to the most vulnerable sectors to minimize economic and social scaring, while supporting the recovery. Given some remaining fiscal space, careful pacing will be essential to gradually withdraw support without disrupting the recovery and avoid premature tightening before the recovery is firmed up while preparing a contingency plan if downside risks materialize. Coordination between fiscal and monetary agencies supported by clear communication would ensure the private sector has time to adjust, and the most affected in society remain protected. Staff encourages the authorities to publish a COVID-related spending report, including information on the beneficial ownership of entities awarded COVID-related contracts, to strengthen transparency.

14. **Considering the ongoing recovery and the need for gradually rebuilding buffers, the projected reduction in the FY2022 fiscal deficit is broadly appropriate.** The authorities plan to keep nominal current expenditure at last year's level while increasing capital expenditure to restore economic growth. The resulting spending envelope would continue to help mitigate the adverse impact of the pandemic and support the recovery, while implying some consolidation relative to the elevated 2020–21 levels as a share of GDP. On the revenue side, the authorities are projecting higher energy revenues, on the back of the anticipated higher energy production and prices.

Moreover, while they anticipate collecting about 0.2 percent of GDP from implementing the property tax and the newly enacted gambling tax, non-energy revenue is expected to decline due to one-off higher VAT refunds (which are in line with staff's previous advice). For 2022, the authorities are encouraged to increase the execution rates of capital investment to further support activity, within the existing spending envelope.[3] Staff advised that should additional outlays be needed if downside risks materialize, these should be offset through spending reprioritization to avoid a higher deficit.

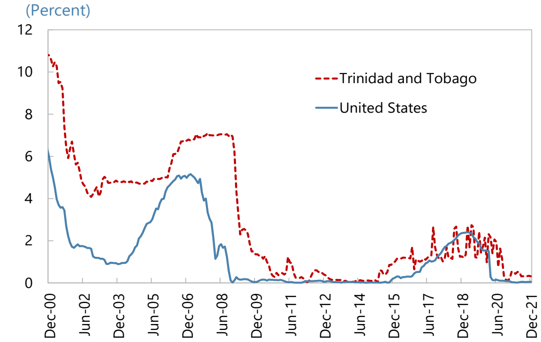
Central Government Accounts
(Percent of GDP)

	Preliminary FY2021	Approved budget FY2022	IMF staff projections FY2022
Total Revenue and Grants	**24.9**	**27.4**	**25.8**
Energy	8.4	12.2	10.5
Non-energy	16.5	15.1	15.3
Tax revenue	13.8	12.7	12.8
Non-tax revenue	2.7	2.4	2.4
Total Expenditure	**35.0**	**33.9**	**33.3**
Current expenditure	32.9	31.2	31.2
Wages and salaries	6.3	6.0	6.0
Goods and services	3.9	3.6	3.6
Interest payments	3.9	3.4	3.4
Transfers and subsidies	18.8	18.2	18.2
Capital expenditure	2.1	2.7	2.1
Overall balance	**-10.1**	**-6.5**	**-7.5**
Memorandum items:			
Primary balance	-6.2	-3.1	-4.1
Non-energy primary balance 1/	-19.9	-22.8	-21.8
Central government debt	65.9	--	68.7

Sources: Trinidad and Tobago authorities and IMF staff estimates.
1/ In percent of non-energy sector GDP. For FY2022, the non-energy primary balance would be -19.8 percent of non-energy GDP once it includes the authorities' intention to accelerate VAT refunds of 1.9 percent of non-energy GDP.

15. The recent monetary policy easing appropriately supported the economy. The cuts in the policy rate and reserve requirement and the temporary relaxation of the regulatory treatment of restructured loans usefully complemented fiscal support during the pandemic and kept liquidity in the system stable. Staff estimates that the current TTO-US policy rate differential is broadly consistent with the risk-adjusted UIP. Recent increase in inflation due to higher international food prices and shipping costs is expected to be transitory. While being considerate of the need to support the recovery, going forward, the CBTT is encouraged to remain data-dependent and be ready to alter its stance should inflationary pressures develop, capital outflows intensify, or the recovery falters.

Three-Month T-bill Rates
(Percent)



Sources: Central Bank of Trinidad and Tobago; Haver Analytics; and IMF staff calculations.

Authorities' Views

16. The authorities concurred with staff on the need to continue fighting the pandemic and supporting economic recovery. With the increase of vaccine supplies, they indicated that they managed to accelerate the vaccination pace relying on mass vaccination centers and effective organizational procedures. The authorities contemplate to scale down fiscal support measures, on the back of a successful vaccination campaign and reduced sanitary pressures, while continuing to support the most vulnerable. They agreed that the current monetary policy stance is appropriate and continue to closely monitor inflation developments.

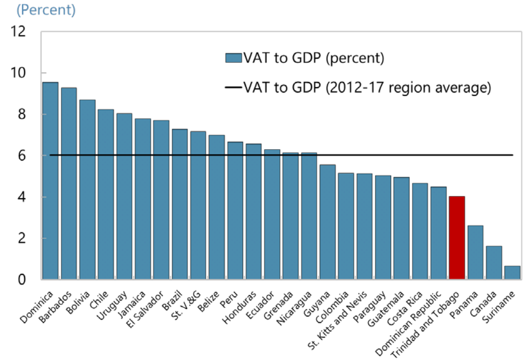
[3] During FY2015–21 the execution of capital expenditure was 80 percent.

B. Strengthening the Fiscal Framework

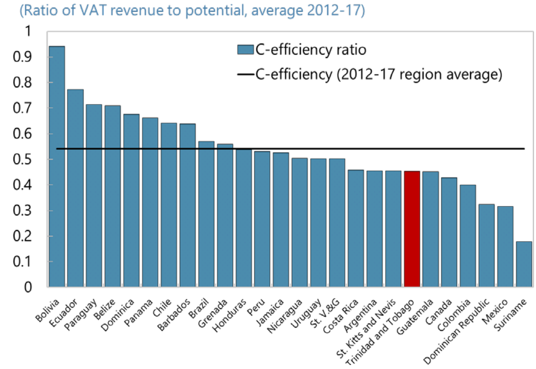
17. A medium-term fiscal consolidation plan is essential to reduce public debt and rebuild buffers. Under current policies, central government debt is expected to remain sustainable and the debt stabilizing primary balance is projected to be achieved by FY2024. However, given that energy-related income is volatile, and domestic energy resources are exhaustible, it is important to gradually reduce debt levels below the authorities' soft public debt target of 65 percent of GDP over the medium term to rebuild fiscal policy space and ensure adequate savings for future generations. The adjustment needs to contain a mix of tax reforms and expenditure rationalization, while shifting the expenditure composition to improve the targeting of social programs, making room for productive investments, and addressing the challenges posed by climate change. The pace of consolidation should aim to provide space for growth-friendly expenditure and protect essential capital spending. Staff recommended a set of potential measures, some of which were identified in previous Fund technical assistance (TA) advice:

- *Improving revenue mobilization from tax policy and administration reforms.* A comprehensive VAT reform to eliminate extensive zero-ratings, exemptions (on both imports and domestic production to avoid differential treatment), and selective tax incentives could yield substantial revenues. Addressing weaknesses in tax compliance and administration, in line with previous technical assistance recommendations, remains a priority. These include establishing a reliable taxpayer register; auditing the stock of VAT refunds (estimated at 5.2 percent of GDP); and improving filing, payments, and arrears management.

VAT Revenues (Average 2012-17)
(Percent)



VAT C-Efficiency
(Ratio of VAT revenue to potential, average 2012-17)

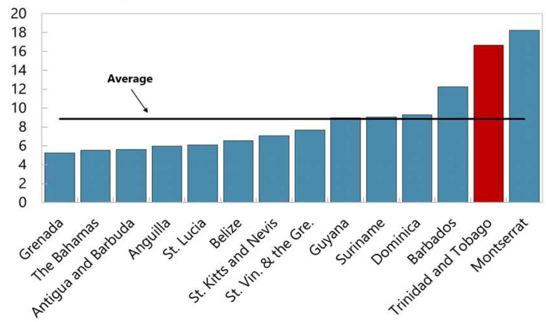


Sources: IMF VAT tax database; and IMF staff

- *Rationalizing existing subsidies on fuel, electricity, and water*, which disproportionately benefit the well-off population and encourage over-consumption. The authorities intend to liberalize fuel prices, starting January 2022, and electricity and water prices, following the recommendations of the relevant commission, while introducing a cash-transfer scheme to low-income and vulnerable groups. Staff supports the authorities' planned subsidy reform and emphasized the need to strengthen the social safety net.

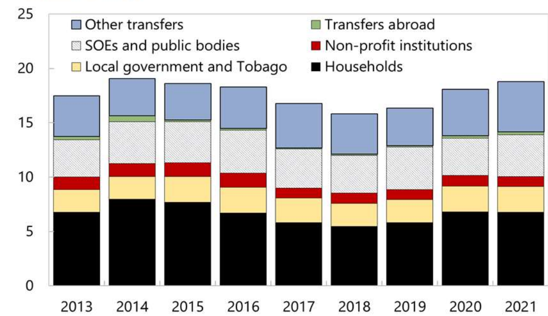
- *Streamlining transfers to SOEs and other public bodies.* The authorities intend to reform the electricity (T&TEC) and water (WASA) public utilities and other SOEs to enhance competition and effectively manage public resources. In staff's views, there is a need to further define the reform process within a specific timeframe to enable the SOEs to become economically efficient, more accountable, and transparent. Moreover, advancing SOE reforms would help contain and mitigate fiscal risks stemming from these entities.[4]

Transfers and Subsidies (2019)
(Percent of GDP)



Sources: Ministry of Finance of Trinidad and Tobago; and IMF staff calculations.

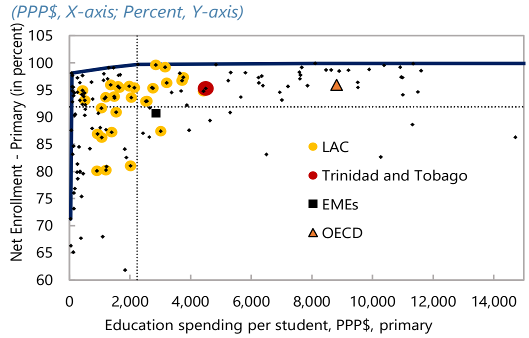
Total Budget Transfers
(Percent of GDP)



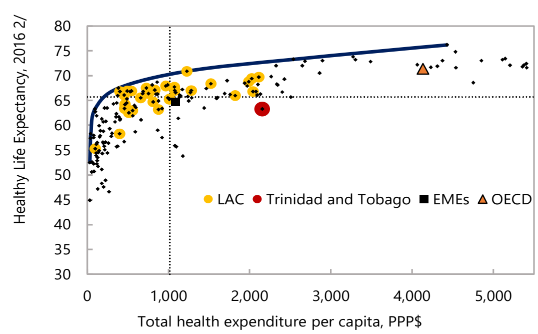
Sources: Ministry of Finance of Trinidad and Tobago; and IMF staff calculations.

- *Enhancing public spending efficiency.* Poor education and healthcare outcomes relative to spending levels show the need to improve efficiency which would create space for spending on infrastructure. In this regard, staff encourages speedy adoption of the Public Procurement Act, including the publication of information on the beneficial ownership of public contracts to increase transparency and accountability in government procurement.

Government Education Spending and Outcomes for Primary School 1/
(PPP$, X-axis; Percent, Y-axis)



Health Efficiency 1/
(PPP$, X-axis; Years, Y-axis)



Sources: IMF FAD Expenditure Assessment Tool (EAT), World Bank, and World Health Organization.
Note: Latest value available.
1/ The blue lines refers to the frontier.
2/ Healthy life expectancy (HALE) is a measure of health expectancy that applies disability weights to health states to compute the equivalent number of years of life expected to be lived in full health.

18. Adopting a medium-term fiscal framework (MTFF) with clear objectives would enhance policy credibility. Staff welcomes the authorities' efforts to formulate medium-term fiscal projections. The next step should be to develop and implement a robust MTFF. Such a framework

[4] While SOEs pay taxes to the central government and a few profitable SOEs pay dividends, the central government services debt (interest and principal) issued by SOEs through budget transfers.

would help: (i) strengthen multi-year fiscal discipline, avoid procyclicality, and identify the impact of new policies; (ii) facilitate the setting of medium-term fiscal measures to achieve the objectives; and (iii) mitigate fiscal risks, including SOE-related risks, by providing early warning signals about fiscal sustainability. In this regard, broadening fiscal data coverage beyond the central government, including state owned enterprises, would ensure a more comprehensive assessment of the government's impact on the economy and any attendant risks.

19. Establishing an appropriate fiscal anchor could strengthen the MTFF. The lack of a robust policy anchor has resulted in procyclical fiscal policy that follows energy price swings. Adopting a formal fiscal rule that also considers the performance of SOEs would support the accumulation of adequate financial buffers during periods of high energy prices and delink expenditure from energy revenue volatility while ensuring that funds transfers in and out of the HSF are integrated with the MTFF. Given the country's volatile and exhaustible energy income, having an operational multiyear fiscal target based on the non-energy primary balance to guide the government plans would help to reverse the rise of public debt and rebuild fiscal space. In this regard, the Fund stands ready to enhance capacity in this area through tailored-TA to help determine the appropriate anchor to support fiscal sustainability.

20. Developing a sound debt management framework is critical. The authorities have mainly relied on the domestic market to meet their financing needs. While there appears to be no evidence of private sector crowding-out, financing persistent deficits in this way would further increase financial sector's sovereign exposures. Furthermore, modernizing the debt market infrastructure to enhance its efficiency and effectiveness would provide a wide range of funding opportunities to the government and the private sector. Staff continues to propose adopting an integrated asset-liability management strategy to guide financing decisions, including the desired composition of the government debt portfolio, and to help assess the implications of alternative financing options.

Authorities' Views

21. The authorities concurred with the need for fiscal consolidation to bring debt back on a downward trajectory. They emphasized that they have started to put in place policies to reduce public debt levels and were confident that they are on course to achieve a primary surplus by FY2023, stemming mainly from a combination of revenue-enhancement measures and expenditure restraint. The authorities took note of staff's additional proposed revenue and expenditure measures. The Parliament passed the Gambling (Gaming and Betting) Control Bill in 2021 and the authorities would determine the membership of the first Board soon. Moreover, they are advancing initiatives to establish the Revenue Authority and implement a property tax. On the expenditure side, they are rationalizing transfers and subsidies, including to SOEs while increasing capital spending.

22. The authorities recognized the importance of strengthening the fiscal framework. They indicated that they have made good progress in formulating medium-term fiscal projections in line with the IMF 2018 TA recommendations. They are also in the process of developing a debt management strategy, with TA support from the Caribbean Technical Assistance Center (CARTAC).

The authorities recognized the merits in exploring the case for adequate fiscal rules and welcomed IMF staff's proposal to provide TA.

C. Modernizing Monetary and Exchange Rate Policy

23. Given the authorities' preference for a stable exchange rate, persistent FX shortages highlight the need to reform the FX market infrastructure.[5] While the authorities' commitment to maintaining a stable peg seems well understood by market participants, the mechanisms to ensure a well-functioning FX market could be improved to reduce uncertainty. A proliferation of special-purpose facilities at the EximBank to prioritize FX access to manufacturers, importers of necessities—including SOEs—have produced a hybrid exchange rate system that is prone to inefficiencies.[6] Staff encourages the authorities to regularly review the current system to ensure its appropriateness and recommends modernizing FX and money markets infrastructure to replace the special purpose windows at the EximBank to reduce those inefficiencies to support the sustainability of the existing arrangement. Staff also encourages the authorities to eliminate exchange restrictions and multiple currency practices in a planned manner while providing sufficient FX to meet demand for all current international transactions.[7] Moreover, staff's recommended fiscal strategy to rebuild buffers discussed above (¶17) will facilitate external adjustment and help prevent reserves from falling below the adequacy range over the medium term when energy sector revenues decrease. Looking to the future, exchange rate flexibility, if properly utilized, would reduce the need for fiscal tightening to achieve external balance and create room for countercyclical monetary policy.

Authorities' Views

24. The authorities recognized the persistent imbalances in the FX market and are taking steps to address it. They noted that the recent rebound in energy production and prices allowed for some improved FX supply and expected even higher FX supply from the energy sector over the medium term, owing to the start-up of new energy projects. They also pointed out that they monitor the FX market regularly and take appropriate actions when needed. In this regard, three new special-purpose windows for FX have been established in recent years within the EximBank, and the CBTT continues to intervene on a bi-monthly basis. The authorities welcomed staff's TA offer to assist in modernizing the FX market infrastructure.

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[5] Trinidad and Tobago's de *jure* exchange rate arrangement is floating and *de facto* is classified as stabilized arrangement.

[6] The current system rations individual FX demands, which motivates the creation of schemes to circumvent them. Notwithstanding FX restrictions, market participants did not provide evidence on the existence of parallel markets.

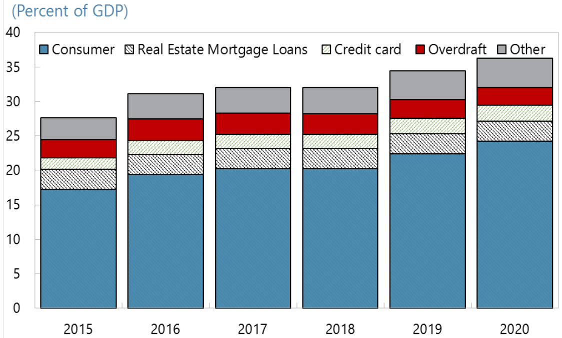
[7] Trinidad and Tobago maintains an exchange restriction and two multiple currency practices subject to Fund approval under Article VIII, Section 2(a) and Section 3 (see Informational Annex).

D. Reinforcing Financial Stability and Resilience

25. The financial system has withstood the COVID and energy shocks well. Latest data on financial soundness indicators (FSIs) for banks and insurance sector suggest that risks from the pandemic have been contained (Figure 6) and are broadly consistent with the findings of the 2020 FSAP's stress-tests. Institutions maintained healthy capital and liquidity buffers while contending with declining asset quality and profitability. Banks' average CAR declined but remains adequate and exceeds the new regulatory minimum of 10 percent, set according to Basel II. Liquidity remains adequate, but risks could arise from interconnectedness in the system. The loan moratorium helped to contain NPLs, though loss provisioning increased.

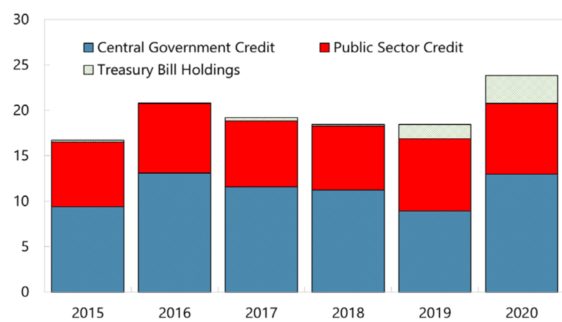
26. Given financial vulnerabilities, careful monitoring of the financial system is essential to detect signs of additional financial stresses. The financial system faces a rise in household debt, high sovereign exposure, and natural disaster risk (including climate-related shocks). As the loan moratoria, which ended on September 30, 2021, may have prevented some loans from becoming delinquent, the CBTT is encouraged to conduct timely and forward-looking assessments of banks' asset quality and raise provisioning, if necessary.

Household Debt by Loan Type
(Percent of GDP)



Sources: Central Bank of Trinidad and Tobago and IMF staff calculations.

Banks Sovereign Exposure
(Percent of GDP)



Sources: Central Bank of Trinidad and Tobago and IMF staff calculations.

27. Staff welcomes the development of Fintech policies to improve efficiency and financial inclusion. The authorities recently launched the E-Money order, created the Fintech Innovation Hub, and are building capacity in digital payments. These policy innovations should be supported by the appropriate physical infrastructure (including mobile and internet connectivity) and promotion of their inclusive access, and the necessary updates of its supervisory and regulatory framework to safeguard against new financial-stability and cybersecurity risks that may arise. With the right measures, fintech would further enhance domestic financial development, foster financial inclusion, lower intermediation costs, and diversify financial products.

28. Further progress in strengthening the regulatory and supervisory framework is needed to enhance the financial system's resilience. The CBTT began addressing the 2020 FSAP recommendations (Annex III). It is finalizing phase 2 of the Basel II/III implementation plan, a proposal to develop a comprehensive payment system, and corporate governance guidelines. The CBTT is encouraged to address remaining recommendations, including (i) upgrading the regulatory framework in line with best international practice; (ii) strengthening supervisory independence, resources, and regulatory powers; (iii) overhauling non-bank supervision (including assigning an independent supervisor with sufficient powers for credit unions); (iv) adopting a strong macroprudential framework and prudential policies; and (v) developing a crisis management framework with a tool-set to effectively deal with distressed financial institutions without relying on government bailouts.

29. Staff welcomes the progress in strengthening the AML/CFT framework and urges addressing deficiencies in tax transparency and exchange of information. The removal of Trinidad and Tobago from the Financial Action Task Force (FATF) monitoring list in February 2020 is commendable. The authorities are encouraged to make further efforts to strengthen the AML/CFT framework, employing measures to increase the number of entities that register beneficial ownership information, finalizing amendments to the public procurement act, and adopting risk-based AML/CFT supervision. Expeditious resolution of issues related to the EU blacklist and the OECD's Global Forum requirements on tax transparency and exchange of information is crucial to prevent the loss of correspondent banking relationships (Annex VII).

Authorities' Views

30. The authorities emphasized that the financial system remains resilient and are committed to advancing regulatory and supervisory reforms. They agreed that some vulnerabilities exist but indicated that they continue to be vigilant and are closely monitoring developments. The CBTT acknowledged that the loan deferral program may have masked a rise in NPLs, but proactive measures taken by banks to ramp up provisioning and the economic reopening would help mitigate any potential deterioration in asset quality. They noted that the adoption of some elements of the Basel II/III framework was delayed due to the pandemic.

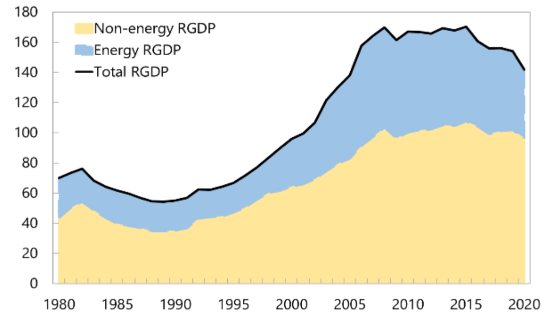
31. The authorities are pushing ahead with further enhancing the financial integrity framework. The CBTT implemented a risk-based AML supervision framework in early 2020 and introduced the AML Self-Assessment Questionnaire. Moreover, they are currently working with the World Bank to conduct a national AML/CFT risk assessment. The authorities highlighted that they have been discussing with the EU and the Global Forum actions to remove Trinidad and Tobago as a non-cooperative jurisdiction for tax matters and are finalizing an action plan to comply with the EU's tax governance criteria.

E. Promoting Inclusive and Sustainable Growth

32. Given the economy's heavy dependence on fossil fuels, policies to develop renewable energy and the non-energy sector are critical. The authorities' "Vision 2030" and "The Roadmap" plan present a comprehensive strategic policy framework that identifies policy priorities to support medium-term inclusive growth, reduce external imbalances, and enhance resilience.

They aim to improve the competitiveness, ease the doing of business, incentivize investment, and promote tourism. Such plan should be advanced expeditiously while exploring options for diversification within the energy sector (e.g., renewable energy) would help reduce vulnerability to climate mitigation policies.

Structure of RGDP: Total, Energy and Non-energy
(In billions TTO dollars)



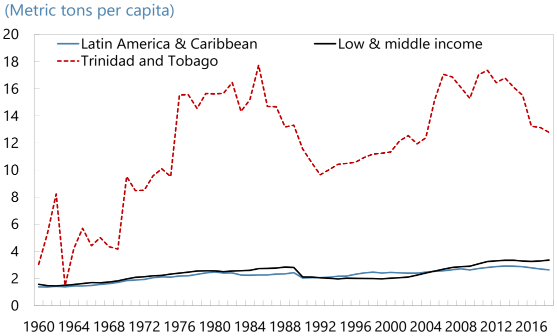
Sources: National Authorities and IMF staff calculations

33. Comprehensive structural reforms to improve the business environment are critical to support the non-energy sector. Reforms to reduce administrative burden; improve education and vocational training to help address skills mismatches and boost productivity; and stimulate entrepreneurship will be important to enhance non-energy sector growth. This would limit the risk of any longer-term output losses from COVID-19 and create greater opportunities for inclusive growth. In this regard, staff welcomes the authorities' recent initiative to support SMEs and their efforts to enhance the transition to the digital economy to increase productivity, tax collection, and formality. Clearing VAT refund arrears and remain current is also important since such delays may affect liquidity position of businesses and their tax compliance.

34. Efforts to build a climate-resilient economy should be intensified. In addition to flooding and droughts, the country is prone to natural disasters. Having recently signed the Paris Agreement, Trinidad and Tobago committed to reducing GHG emissions by 15 percent from power generation, transportation, and industrial operations. They plan to increase the renewable energy component of power generation and started to implement a fuel-switching program in the transportation sector to meet the target. Climate change warrants conducting a comprehensive environmental risk assessment of the financial sector. Upgrading climate-resilient infrastructure and the regulatory framework for green financing and renewable energy are warranted (Annex VI).

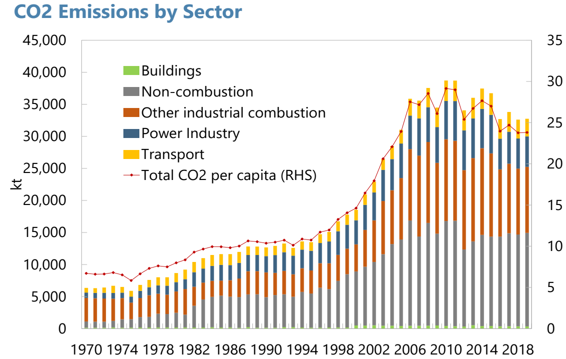
Climate Change

CO2 Emissions
(Metric tons per capita)



Source: World Development Indicators Database.

CO2 Emissions by Sector



Source: The Emissions Database for Global Atmospheric Research (EDGAR).

Authorities' Views

35. The authorities broadly agreed with the key structural priorities. They would seek to continue with SOE reform following the 2018 restructuring of Petrotrin (the state-owned oil company) and are committed to pursuing broad-ranging reform agenda focused on improving the country's competitiveness, and doing business environment, including modernizing the current Free Zone regime, introducing e-Government and digital economy, and promoting the tourism sector. The authorities pointed out that the establishment of the new revenue authority seeks to facilitate trade by reducing transaction costs. Moreover, comprehensive review of the oil and gas taxation regime will soon be conducted to ensure that the domestic hydrocarbon sector remains internationally competitive. The authorities reiterated their strong commitment to reducing emissions and developing solar energy, calling for a delicate balancing act and recognizing natural gas and ammonia as cleaner carburants.

F. Improving Data Adequacy

36. Staff welcomes progress in improving data quality and timeliness and calls for further actions to enhance national statistics. The launch of the National Summary Data Page (NSDP) under the e-GDDS—an important data transparency framework—in October 2021 is commendable. Although data remain adequate for surveillance, further progress is needed, particularly by reducing publication gaps for the labor market and household surveys and improving the reporting of capital flows data (see Informational Annex).

Authorities' Views

37. The authorities stressed their commitment to improving data compilation and dissemination and welcome further TA from the IMF. They emphasized that the launch of NSDP would help enhance data transparency by allowing easy access to published data in a timely manner. They indicated that they are advancing efforts to create the National Statistics Institute. They noted that the pandemic complicated the data collection; they plan to incorporate remote interviews and update census, household, and labor surveys in 2022. The authorities welcome IMF TA to enhance statistics and called for continuing collaboration.

STAFF APPRAISAL

38. The authorities acted decisively to contain the pandemic. Containment and health measures to fight the virus limited the number of cases and fatalities despite waves of infections. The multi-pronged fiscal, monetary, and financial measures helped protect livelihoods and pave the way for a strong recovery. The economy is expected to rebound strongly, supported by the continued policy support and the anticipated recovery in energy production, but risks to the outlook remain.

39. **The immediate priorities are to accelerate vaccinations and support the economic recovery.** The policy support measures—including vaccine rollout—should continue providing targeted support to the most vulnerable sectors to minimize economic and social scarring until the economic recovery is well underway. The authorities are encouraged to publish a COVID-related spending report and prepare a contingency plan if downside risks materialize. Concurrently, careful pacing and policy coordination will be essential to withdraw support gradually and avoid undermining the recovery.

40. **The current fiscal and monetary policy stances are appropriate.** The availability of some fiscal space allows continued temporary high spending to mitigate the effects of the pandemic and restore economic growth in the context of gradual deficit reduction. The current accommodative monetary policy stance is supporting the recovery but the CBTT should be ready to alter its stance should inflationary pressures develop, capital outflows intensify, or the recovery falters.

41. **Once the recovery firms up, a growth-friendly and inclusive medium-term fiscal adjustment plan is essential to reduce public debt.** The adjustment needs to contain a mix of tax reforms and expenditure rationalization. In particular: implementing tax policy reforms and strengthening tax administration to enhance revenue mobilization; streamlining transfers to SOEs; improving public spending efficiency; reforming public procurement; publishing information on the beneficial ownership of public contracts; and phasing out subsidies, while protecting vulnerable groups.

42. **Strengthening the fiscal framework would help guide fiscal policy.** Adopting a well-designed medium-term fiscal framework (MTFF) would strengthen multi-year fiscal discipline, avoid procyclicality, and mitigate risks. A formal fiscal rule that focusses on the non-energy primary balance could be considered to ensure fiscal sustainability. Developing a sound debt management strategy would guide financing decisions. Broadening the coverage of complete fiscal data beyond the central government would ensure a comprehensive assessment of the government's impact on the economy and any attendant risks.

43. **Structural changes in the FX markets are necessary to support the exchange rate regime and the authorities are encouraged to eliminate exchange restrictions and multiple currency practices.** Modernizing FX and money market infrastructure is critical to reduce inefficiencies and imbalances to support the sustainability of the existing arrangement. Looking to the future, greater exchange rate flexibility would reduce the need for fiscal policy adjustments to restore external balance and create room for more countercyclical monetary policy. The authorities are encouraged to eliminate exchange restrictions and multiple currency practices in a planned manner while providing sufficient FX to meet demand for all current international transactions.

44. **The financial sector remains stable but should be monitored closely while advancing the regulatory and supervisory reforms.** Banks are well-capitalized and liquid, but the loan moratoria program could have masked weakness in asset quality. The CBTT is encouraged to conduct timely and forward-looking assessments of banks' asset quality and encourage increases in

provisioning, if necessary. Efforts to strengthen the regulatory and supervisory framework should continue to enhance the financial system's resilience.

45. Further actions are needed to strengthen the AML/CFT framework. The country's removal from the FATF monitoring list in February 2020 is commendable. The authorities are encouraged to make further efforts to strengthen the AML/CFT framework and make similar progress on resolving issues related to the EU and the OECD blacklists.

46. Comprehensive structural reforms are key to promoting the non-energy sector. Policies to develop the non-energy sector are critical to support medium-term inclusive growth and enhance resilience. Thus, reforms to remove obstacles to doing business, improve education and vocational training to help address skills mismatches and boost productivity, and stimulate entrepreneurship will be important.

47. Building a climate-resilient economy is necessary. The plan to reduce GHG emissions and to increase the renewable energy usage should be advanced to support sustainable development, including the decoupling of emissions and economic growth. Upgrading climate-resilient infrastructure and the regulatory framework for green financing and renewable energy are warranted.

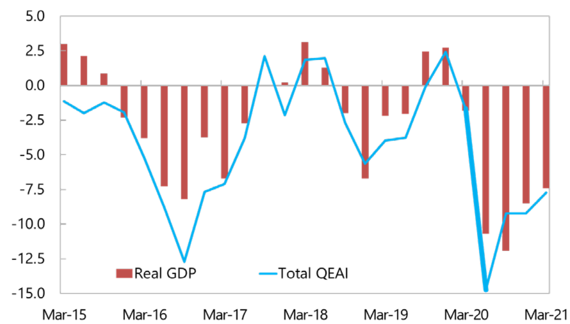
48. Bridging data gaps would make policy decisions more effective. The authorities are encouraged to reduce publication gaps and overhaul national statistics, emphasizing national accounts, labor market, household survey, and capital flows, as well as adhering to the standards of the National Summary Data Page (NSDP) under the IMF's e-GDDS.

49. It is recommended that the next Article IV consultation be held on the standard 12-month cycle.

Figure 1. Trinidad and Tobago: Real Sector Developments

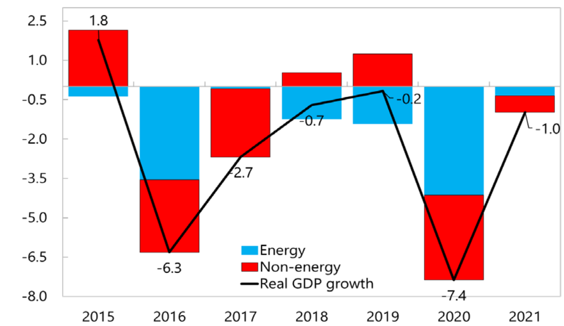
The pandemic has impaired a nascent recovery.

Real GDP vs. Quarterly Economic Activity Index (QEAI)
(YoY growth, in percent)



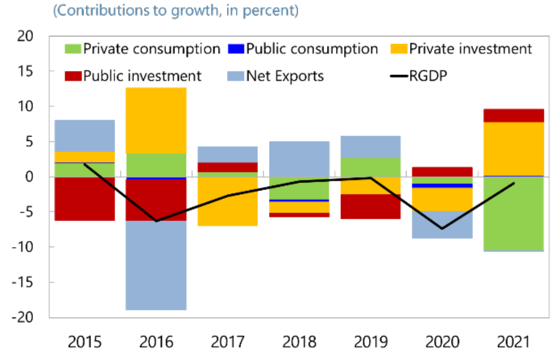
The contraction originated in the energy sector but spilled over the non-energy

Real Growth: Contributions of Energy and Non-energy
(In percent)



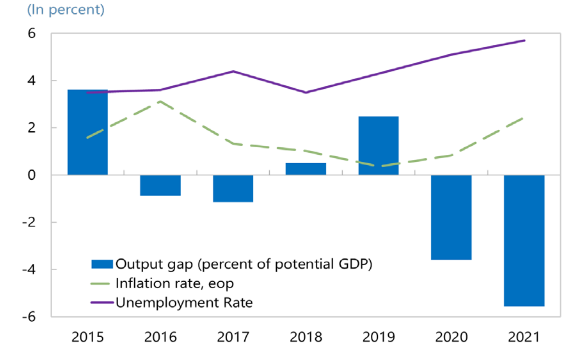
... affecting exports and private investment.

Real GDP by Expenditure
(Contributions to growth, in percent)



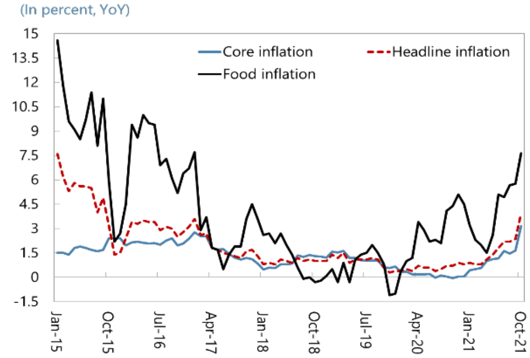
The economic slack worsened, pushed up unemployment and kept inflation low.

Cyclical Position: GDP, Inflation and Unemployment
(In percent)



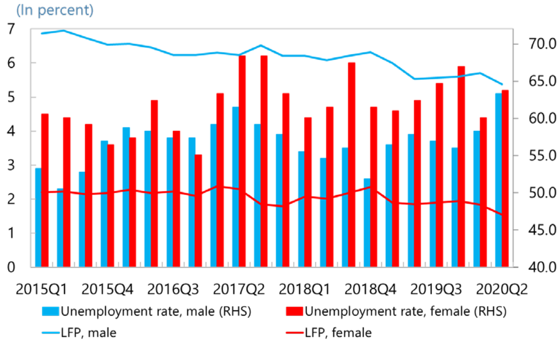
Despite the slack, headline inflation could react to the recent surge in international food prices.

Inflation: Headline, Core, and Food Prices
(In percent, YoY)



The downturn also reduced the labor force participation which could affect recovery prospects.

Unemployment Rate and Labor Force Participation (LFP)
(In percent)

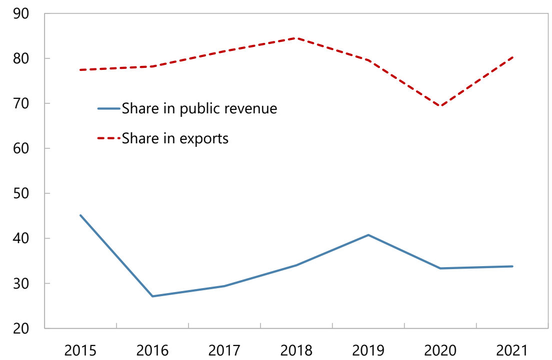


Sources: National Authorities and IMF staff calculations.

Figure 2. Trinidad and Tobago: Energy Sector Developments 1/

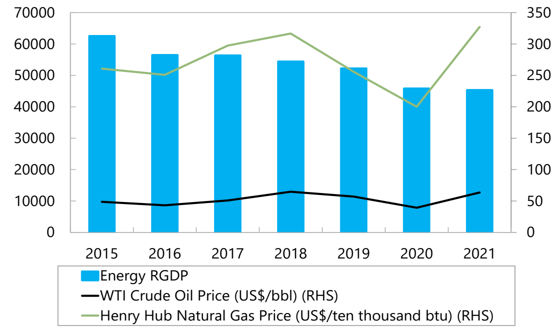
The energy sector dominates the economy…

Role of Energy in Fiscal Revenues and Exports
(Percent)



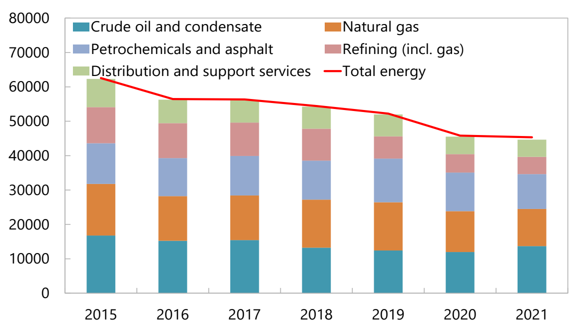
and faces capacity-constraints, responding more to market price declines than to upticks.

Energy GDP and Prices
(Constant TT$; US$ per unit)



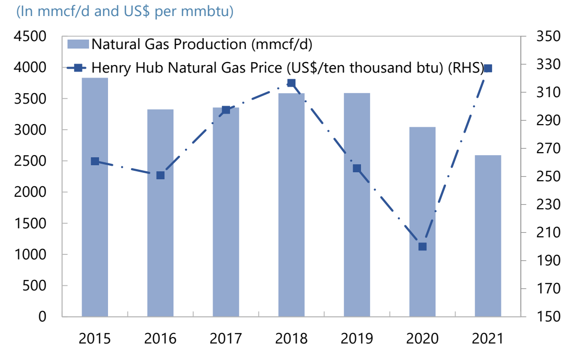
Gas, oil, and refining suffered the most from the pandemic.

Contributions of Energy Sector to Real GDP
(Million TT$)



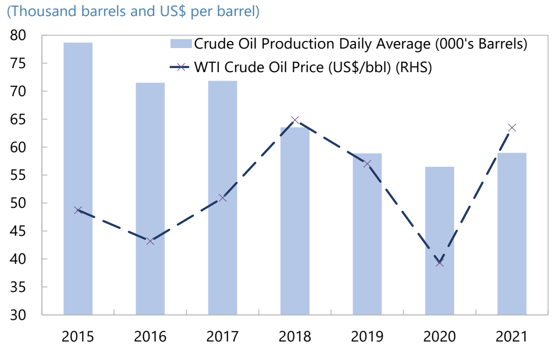
The pandemic disrupted supply chains in the gas industry, affecting maintenance and production capacities.

Production and Prices of Natural Gas
(In mmcf/d and US$ per mmbtu)



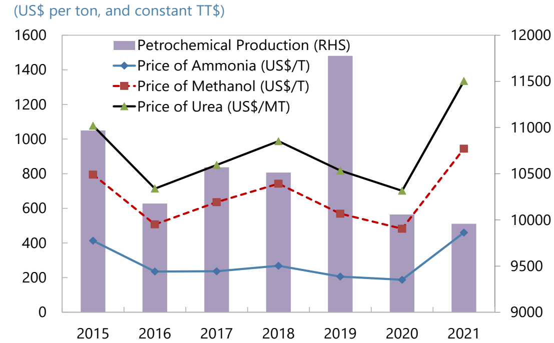
Since May 2021, a new oil field "Ruby" began to ameliorate the declining oil production.

Production and Prices of Crude Oil
(Thousand barrels and US$ per barrel)



Petrochemicals' production could react quickly to market prices and support the recovery.

Production and Prices of Petrochemicals
(US$ per ton, and constant TT$)

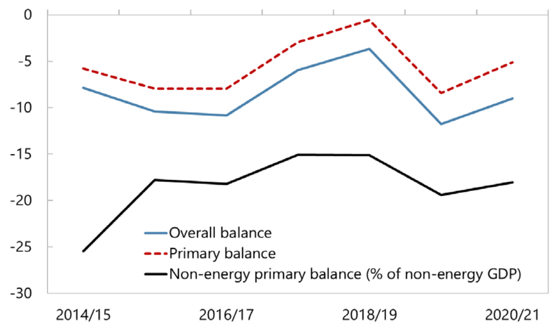


Sources: National Authorities and IMF staff calculations.
1/ Data for 2021 are the latest available (2021:Q1).

Figure 3. Trinidad and Tobago: Fiscal Developments

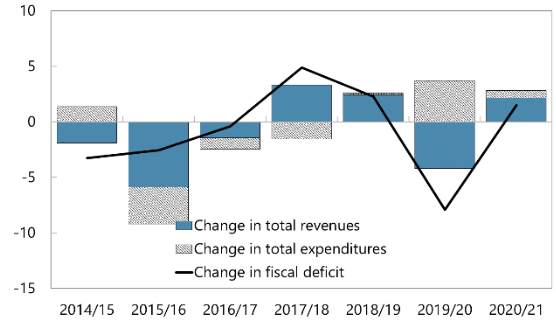
The fiscal position has deteriorated significantly due to COVID-19...

Fiscal Stance
(Percent of GDP)



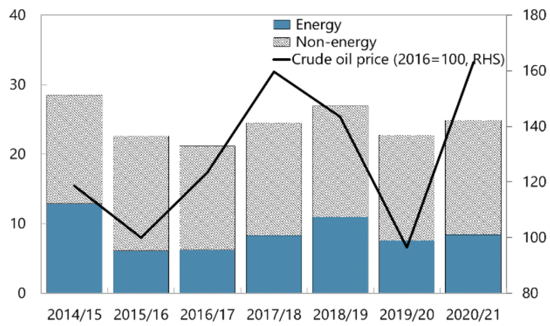
as revenues declined and spending increased.

Contribution to Fiscal Deficit
(Percent change)



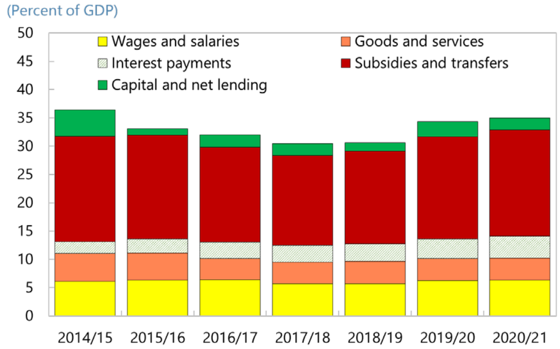
The decline in energy prices and production and the lockdown had led to a decline in fiscal revenues...

Total Revenues
(Percent of GDP)



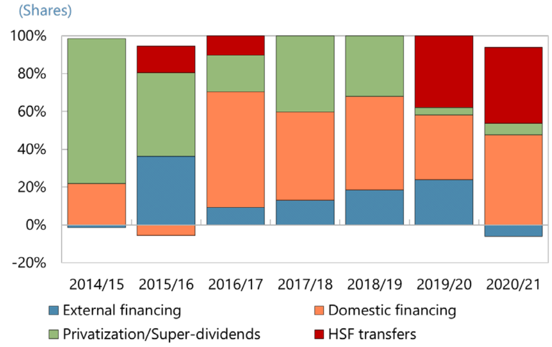
and there has been an increase in transfers and subsides and capital expenditures.

Total Expenditures
(Percent of GDP)



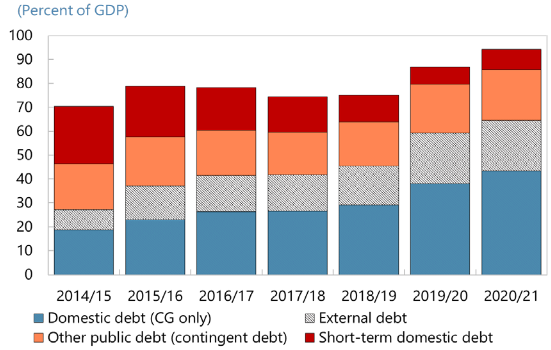
The deficit has been largely financed from domestic sources...

Financing of Fiscal Deficit
(Shares)



and public debt is rising.

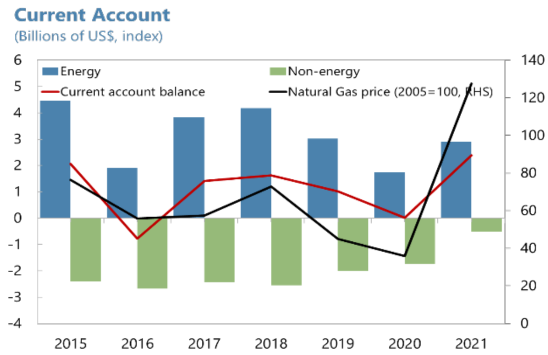
Public Sector Debt
(Percent of GDP)



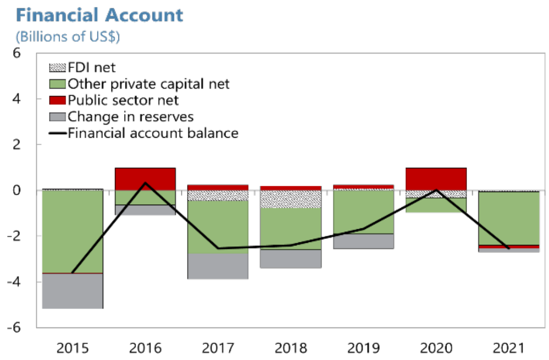
Sources: National Authorities and IMF staff calculations.

Figure 4. Trinidad and Tobago: External Sector Developments

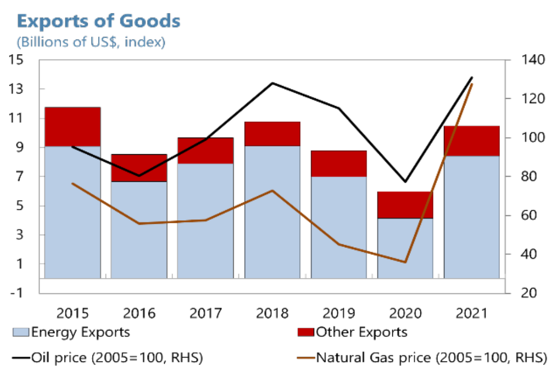
Energy prices drive the current account surplus…



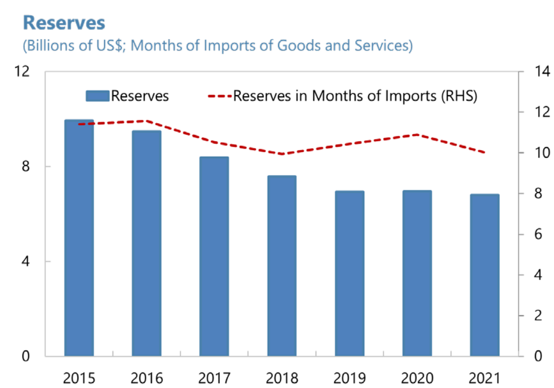
and the financial account continues to record outflows, driven by residents' outward investment.



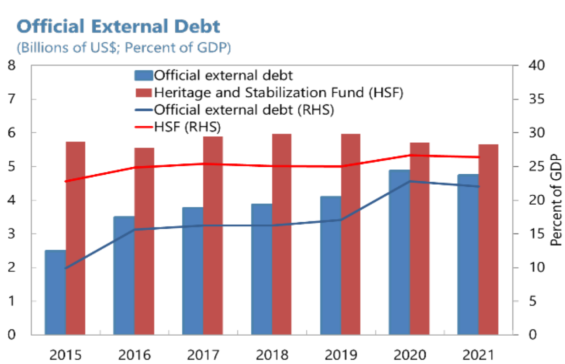
The COVID-19, energy price and production shocks severely affected exports, but they are forecast to recover in 2021…



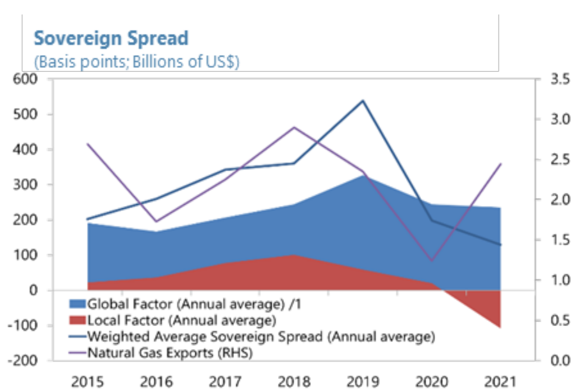
while reserves will stabilize in 2021 due to the withdrawal from the HSF and the new SDR allocation.



Official external debt increased in 2020, but buffers remain large…



and the recovery in the energy sector has kept external financing costs lower than peers.

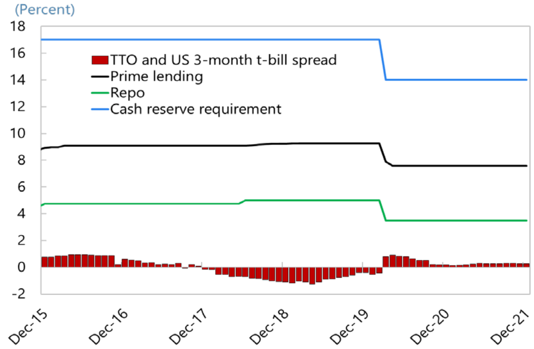


Sources: Central Bank of Trinidad and Tobago and IMF staff calculations.
1/ The global component is extracted using the method of principal component analysis on the sovereign spreads of the Western Hemisphere countries that have a similar rating to Trinidad and Tobago, more specifically the list includes: Mexico, Panama, Peru, and Uruguay.

Figure 5. Trinidad and Tobago: Monetary and Banking Sector Developments

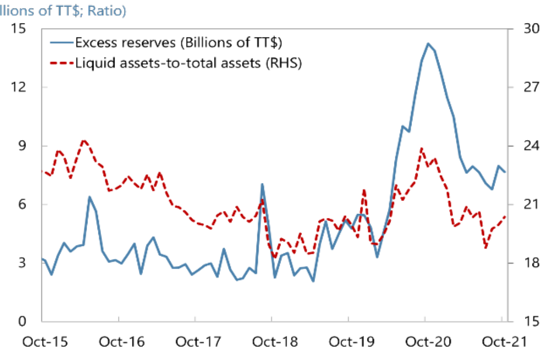
In March 2020, the CBTT eased the policy rate and reserve requirement to support the economy during the pandemic.

Nominal Interest Rates
(Percent)



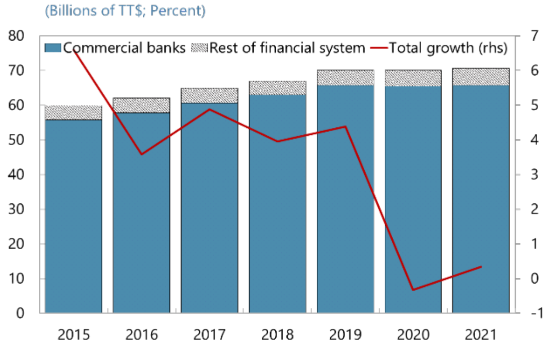
As a result, excess reserves and liquidity ratio spiked but gradually declined to the pre-pandemic levels,

Excess Reserves
(Billions of TT$; Ratio)



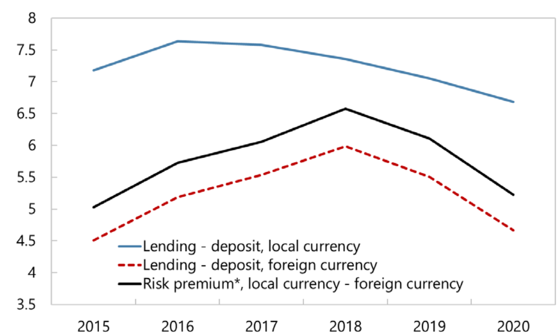
...keeping the level of private sector credit stable

Credit to Private Sector: Composition and Growth
(Billions of TT$; Percent)



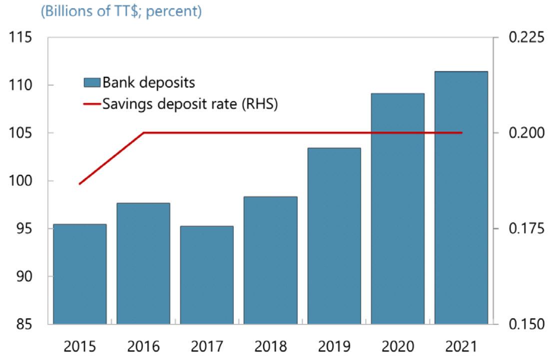
...and decreasing the interest rate spreads.

Commercial Banks Interest Rates Spreads
(Percent)



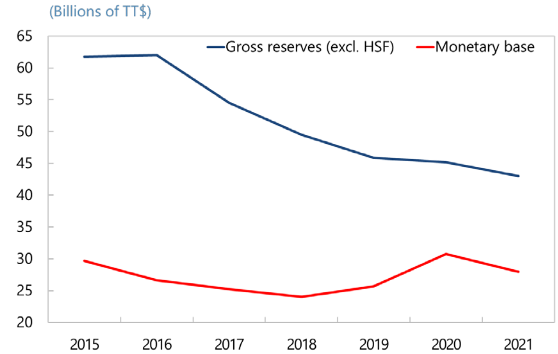
Bank deposits rose despite the unchanged interest rates,

Bank Deposits
(Billions of TT$; percent)



...while the CB reserves and base money will slightly decline in 2021.

Central Bank Balance Sheet
(Billions of TT$)

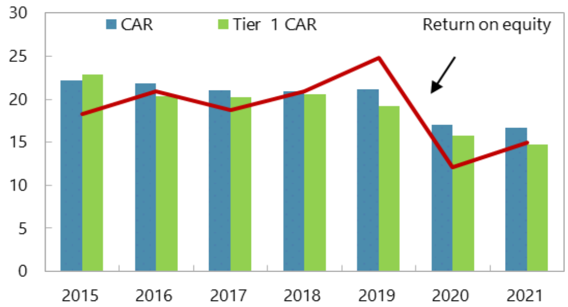


Sources: Central Bank of Trinidad and Tobago; and IMF staff calculations.

Figure 6. Trinidad and Tobago: Financial Soundness Indicators

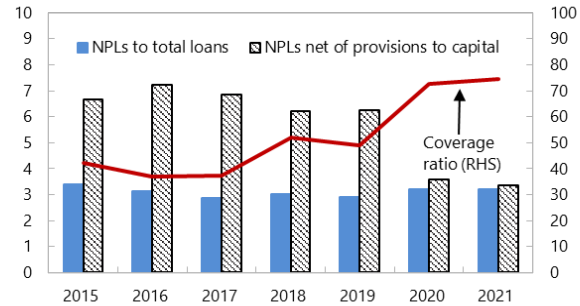
Banks have maintained capital buffers.

Capital Adequacy Ratios /1
(Percent)



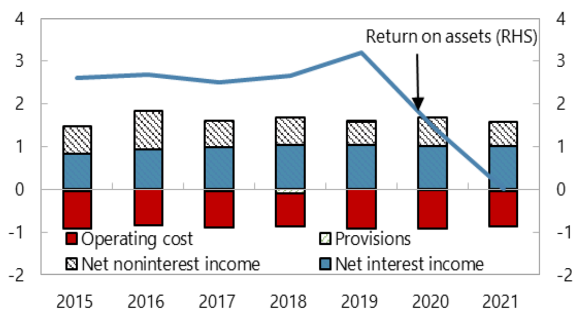
NPLs remain around 3.4 percent. Since 2020, provisions have increased reflecting the loan moratorium.

Nonperforming Loans /2
(Percent)



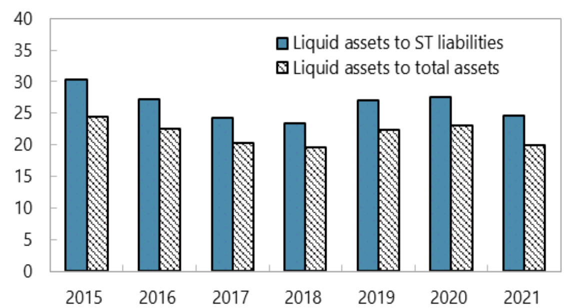
Composition of income is stable, though assets' profitability declined since pandemic.

Decomposition of Income 2/
(Percent of assets)



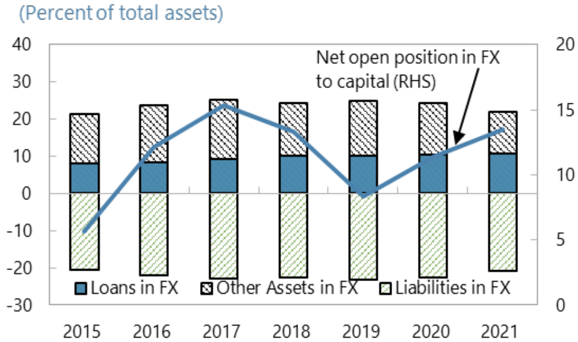
Banks continued to maintain liquidity buffers.

Liquid Assets Indicators 1/
(Percent)



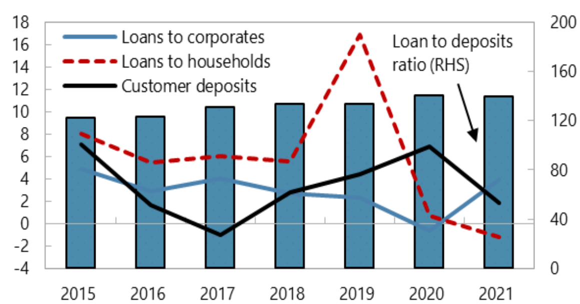
Banks increased their net FX position to 13 percent of capital in 2021.

Banks Exposure to FX /2
(Percent of total assets)



The economic contraction affected the level of banking operations, but funding ratios have been stable.

Loans and Deposits Growth /2 /3
(Annual percentage change and percent)



Sources: IMF Financial Soundness Indicators, and IMF staff calculations.
1/ Data for 2021 are the latest available (September 2021).
2/ Data for 2021 are the latest available (2021:Q1).
3/ Growth rates for 2021 are annualized, based on the first 3 months.

Table 1. Trinidad and Tobago: Selected Economic Indicators

GDP per capita (U.S. dollars, 2020)	15,265	Adult literacy rate (2010)	99
Population (millions, 2020)	1.40	Unemployment rate (Q2 2020)	5.2
Life expectancy at birth (years, 2019)	73.5	Human Development Index (2019, of 189 economies)	67
Under 5 mortality rate (per thousand, 2019)	17.5		

						Projections					
	2017	2018	2019	2020	Est. 2021	2022	2023	2024	2025	2026	2027
	(Annual percentage change, unless otherwise indicated)										
National income and prices											
Real GDP	-2.7	-0.7	-0.2	-7.4	-1.0	5.5	2.6	3.5	1.1	1.0	1.0
Energy	-0.2	-3.4	-4.0	-12.2	-1.1	12.9	4.0	5.9	0.3	0.0	0.0
Non-energy 1/	-4.0	0.8	1.9	-4.9	-0.9	2.0	1.9	2.2	1.5	1.5	1.5
GDP deflator	8.2	3.4	0.2	-3.4	1.6	2.8	2.7	2.1	2.0	1.9	2.0
CPI inflation (end-of-period)	1.3	1.0	0.4	0.8	2.4	3.2	2.3	2.0	1.9	1.9	2.0
CPI inflation (period average)	1.9	1.0	1.0	0.6	1.6	2.8	2.7	2.1	2.0	1.9	2.0
Unemployment rate	4.4	3.5	4.3	4.7	5.4	...	...	...	...	...	...
Real effective exchange rate	-2.6	-1.3	-0.7	-1.5	-1.3	...	...	...	...	...	...
	(In percent of fiscal year GDP)										
Central government finances 2/											
Central government primary balance	-7.9	-3.0	-0.5	-8.2	-6.2	-4.1	0.0	1.9	2.7	3.3	3.8
Of which: non-energy primary balance 3/	-18.2	-15.1	-15.1	-19.3	-19.9	-21.8	-15.7	-12.7	-10.9	-9.7	-9.0
Central government overall balance	-10.8	-5.9	-3.7	-11.6	-10.1	-7.5	-4.1	-2.2	-1.3	-0.6	0.0
Budgetary revenue	21.2	24.5	27.0	22.8	24.9	25.8	27.5	28.2	28.3	28.2	28.3
Energy	6.2	8.3	11.0	7.6	8.4	10.5	11.0	11.1	10.9	10.6	10.7
Non-energy	15.0	16.2	16.0	15.2	16.5	15.3	16.5	17.1	17.4	17.6	17.6
Budgetary expenditure	32.0	30.5	30.6	34.3	35.0	33.3	31.6	30.4	29.5	28.8	28.3
Of which: current expenditure	29.8	28.3	29.1	31.7	32.9	31.2	29.5	28.3	27.4	26.7	26.2
Of which: interest expenditure	2.9	3.0	3.1	3.4	3.9	3.4	4.1	4.0	4.0	3.9	3.8
Of which: capital expenditure	2.2	2.2	2.3	2.7	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Central government debt 4/	41.5	41.8	45.4	59.3	65.9	68.7	68.8	67.4	66.2	64.9	63.1
Public sector debt 5/	59.2	58.4	61.9	79.6	87.2	88.4	87.0	84.0	81.8	79.5	76.6
Heritage and Stabilization Fund assets	25.2	25.2	26.2	26.1	26.2	25.3	24.6	24.0	23.8	23.8	23.8
	(In percent of GDP, unless otherwise indicated)										
External sector											
Current account balance	6.1	6.8	4.3	0.1	11.2	18.6	15.1	11.8	10.9	10.5	10.5
Exports of goods (annual percentage change)	13.4	11.5	-18.5	-31.9	75.6	24.5	-6.1	-3.9	-1.0	-0.1	1.3
Imports of goods (annual percentage change)	-9.0	2.6	-8.8	-17.2	17.4	8.1	-2.1	2.4	0.5	0.7	1.1
Terms of trade (annual percentage change)	0.5	0.5	-0.2	-0.7	1.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
External public sector debt	16.2	16.2	17.1	22.8	22.0	22.8	22.9	22.4	22.2	21.7	21.1
Gross official reserves (in US$ million)	8,370	7,575	6,929	6,954	6,803	5,925	5,762	5,570	5,325	5,095	5,025
In months of goods and NFS imports	10.5	9.9	10.4	10.9	10.0	8.8	8.4	8.0	7.6	7.3	7.1
	(Annual percentage change)										
Money and credit											
Net foreign assets	-9.3	-6.5	-6.4	5.9	-2.2	-8.3	-1.3	-1.6	-2.2	-2.1	-0.2
Net domestic assets	26.8	18.4	18.3	10.2	1.3	20.8	6.7	7.0	4.7	4.3	2.8
Of which: private sector credit	4.9	4.0	4.4	-0.3	-0.3	8.4	5.4	5.7	3.1	2.9	3.0
Broad money (M3)	-0.4	1.2	2.9	7.1	-0.3	4.2	2.7	2.9	1.5	1.5	1.5
Memorandum items:											
Nominal GDP (in TT$ billion)	157.2	161.3	161.3	144.4	145.3	157.6	166.1	175.6	180.9	186.2	191.7
Non-energy sector (in percent of GDP)	77.0	74.4	77.1	83.5	69.7	66.5	71.1	73.1	74.8	76.0	76.5
Energy sector (in percent of GDP)	23.0	25.6	22.9	16.5	30.3	33.5	28.9	26.9	25.2	24.0	23.5
Public expenditure (in percent of non-energy GDP)	41.2	40.6	40.1	42.0	47.8	49.5	45.1	41.8	39.7	38.0	37.1
Exchange rate (TT$/US$, end of period)	6.78	6.77	6.76	6.76	...	...	...	...	...	...	...
Holdings of SDRs, in millions of U.S. dollars	343	335	334	348	1087	1103	1113	1121	1128	1133	...
Crude oil price (US$ per barrel)	52.8	68.3	61.4	41.3	69.8	75.7	70.2	67.3	65.2	63.8	63.8
Henry Hub natural gas price (US$ per MMBtu)	3.0	3.2	2.6	2.0	3.9	4.2	3.6	3.3	3.1	3.1	3.1

Sources: Trinidad and Tobago authorities; UN Human Development Report; WEO; and IMF staff estimates and projections.

1/ Includes VAT and Financial Intermediation Services Indirectly Measured (FISIM).

2/ Data refer to fiscal year, for example 2019 covers FY2019 (October 2018-September 2019).

3/ Defined as non-energy revenue minus expenditure (net of interest payments) of the central government, as a share of non-energy GDP.

4/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the CBTT.

5/ Includes central government debt and guaranteed debt of non-self serviced SOEs and public bodies.

Table 2. Trinidad and Tobago: Central Government Operations 1/

(In millions of Trinidad and Tobago dollars)

						Projections					
	2017	2018	2019	2020	Est. 2021	2022	2023	2024	2025	2026	2027
	(In millions of Trinidad and Tobago dollars)										
Total revenue and grants	**32,896**	**39,308**	**43,482**	**33,843**	**36,149**	**39,856**	**45,085**	**48,832**	**50,788**	**52,087**	**53,837**
Energy	9,668	13,372	17,725	11,286	12,210	16,261	18,041	19,184	19,492	19,634	20,315
Corporate	5,613	7,851	9,406	5,429	6,697	8,295	8,879	9,452	9,604	9,675	10,054
Royalties	939	2,288	4,091	2,835	2,423	4,344	5,281	5,536	5,533	5,501	5,617
Other	3,116	3,233	4,228	3,022	3,090	3,622	3,882	4,196	4,355	4,458	4,644
Non-energy	23,228	25,936	25,757	22,558	23,939	23,595	27,044	29,648	31,296	32,453	33,522
Tax revenue	18,028	21,226	20,219	18,278	19,983	19,851	22,171	23,949	25,135	26,110	26,992
Income tax	8,448	9,353	9,792	7,642	7,761	8,355	9,745	10,758	11,413	11,948	12,396
Goods and services tax	6,511	8,726	7,307	8,017	9,484	8,611	9,216	9,799	10,206	10,542	10,869
International trade tax	2,685	2,733	2,672	2,301	2,373	2,527	2,831	2,990	3,101	3,193	3,287
Property tax	3	4	50	2	2	1	2	2	2	2	2
Other	398	317	356	378	363	356	378	399	414	426	439
Non-tax revenue	5,160	4,692	5,467	4,267	3,937	3,726	4,853	5,676	6,136	6,318	6,504
Other	40	18	70	12	19	19	21	23	24	25	26
Expenditure	**49,680**	**48,834**	**49,411**	**51,048**	**50,784**	**51,478**	**51,764**	**52,617**	**53,049**	**53,264**	**53,873**
Current	46,264	45,374	46,987	47,081	47,724	48,229	48,317	48,976	49,273	49,376	49,870
Wages and salaries	9,938	9,094	9,137	9,248	9,138	9,235	9,485	9,688	9,795	9,835	10,028
Goods and services	5,827	6,102	6,426	5,862	5,647	5,635	5,879	6,010	6,032	6,011	6,188
Interest payments	4,468	4,787	5,046	5,062	5,693	5,252	6,727	7,013	7,178	7,272	7,305
Transfers and subsidies	26,030	25,391	26,378	26,910	27,246	28,107	26,226	26,265	26,267	26,258	26,349
Fuel subsidies	380	0	228	492	18	20	0	0	0	0	0
Transfers to households	8,647	8,741	9,169	9,595	9,819	9,458	9,514	9,418	9,300	9,281	9,263
Transfers to SOEs and utilities	4,671	4,810	5,656	4,422	5,166	5,379	4,707	4,773	4,649	4,587	4,622
Transfers to local government and Tobago	3,482	3,424	3,425	3,527	3,389	3,525	3,340	3,329	3,452	3,454	3,456
Transfers to statutory authorities	881	727	658	343	437	459	472	482	491	501	511
Other	7,969	7,689	7,242	8,530	8,417	9,265	8,192	8,264	8,375	8,435	8,497
Capital expenditure and net lending	3,416	3,459	2,424	3,967	3,060	3,249	3,447	3,641	3,776	3,888	4,002
Capital expenditure	3,449	3,492	3,791	3,978	3,071	3,270	3,469	3,665	3,800	3,913	4,028
Net lending	-32	-33	-1,367	-11	-10	-21	-22	-23	-24	-25	-26
Non-energy balance	**-26,452**	**-22,898**	**-23,653**	**-28,490**	**-26,845**	**-27,883**	**-24,719**	**-22,969**	**-21,753**	**-20,810**	**-20,351**
Overall balance	-16,783	-9,526	-5,928	-17,205	-14,635	-11,622	-6,679	-3,785	-2,261	-1,177	-36
Primary balance	-12,315	-4,739	-883	-12,143	-8,942	-6,370	49	3,228	4,917	6,095	7,269
Non-energy primary balance 2/	-21,983	-18,111	-18,608	-23,428	-21,152	-22,631	-17,992	-15,956	-14,575	-13,539	-13,046

Sources: Trinidad and Tobago authorities; and IMF staff projections.

1/ Fiscal years run from October 1 in the previous year to September 30 of the stated year.

2/ For FY2022, the non-energy primary deficit would be TT$21.4 billion once it includes the authorities' intention to accelerate VAT refunds of TT$2 billion.

Table 3. Trinidad and Tobago: Central Government Operations 1/
(In percent of GDP)

	2017	2018	2019	2020	Est. 2021	2022	2023	2024	2025	2026	2027
						Projections					
	(In percent of GDP)										
Total revenue and grants	**21.2**	**24.5**	**27.0**	**22.8**	**24.9**	**25.8**	**27.5**	**28.2**	**28.3**	**28.2**	**28.3**
Energy	6.2	8.3	11.0	7.6	8.4	10.5	11.0	11.1	10.9	10.6	10.7
Corporate	3.6	4.9	5.8	3.7	4.6	5.4	5.4	5.5	5.3	5.2	5.3
Royalties	0.6	1.4	2.5	1.9	1.7	2.8	3.2	3.2	3.1	3.0	3.0
Other	2.0	2.0	2.6	2.0	2.1	2.3	2.4	2.4	2.4	2.4	2.4
Non-energy	15.0	16.2	16.0	15.2	16.5	15.3	16.5	17.1	17.4	17.6	17.6
Tax revenue	11.6	13.2	12.5	12.3	13.8	12.8	13.5	13.8	14.0	14.1	14.2
Income tax	5.4	5.8	6.1	5.1	5.3	5.4	5.9	6.2	6.4	6.5	6.5
Goods and services tax	4.2	5.4	4.5	5.4	6.5	5.6	5.6	5.7	5.7	5.7	5.7
International trade tax	1.7	1.7	1.7	1.5	1.6	1.6	1.7	1.7	1.7	1.7	1.7
Property tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Non-tax revenue	3.3	2.9	3.4	2.9	2.7	2.4	3.0	3.3	3.4	3.4	3.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	**32.0**	**30.5**	**30.6**	**34.3**	**35.0**	**33.3**	**31.6**	**30.4**	**29.5**	**28.8**	**28.3**
Current	29.8	28.3	29.1	31.7	32.9	31.2	29.5	28.3	27.4	26.7	26.2
Wages and salaries	6.4	5.7	5.7	6.2	6.3	6.0	5.8	5.6	5.5	5.3	5.3
Goods and services	3.8	3.8	4.0	3.9	3.9	3.6	3.6	3.5	3.4	3.3	3.3
Interest payments	2.9	3.0	3.1	3.4	3.9	3.4	4.1	4.0	4.0	3.9	3.8
Transfers and subsidies	16.8	15.8	16.4	18.1	18.8	18.2	16.0	15.2	14.6	14.2	13.8
Fuel subsidies	0.2	0.0	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to households	5.6	5.5	5.7	6.5	6.8	6.1	5.8	5.4	5.2	5.0	4.9
Transfers to SOEs and utilities	3.0	3.0	3.5	3.0	3.6	3.5	2.9	2.8	2.6	2.5	2.4
Transfers to local government and Tobago	2.2	2.1	2.1	2.4	2.3	2.3	2.0	1.9	1.9	1.9	1.8
Transfers to statutory authorities	0.6	0.5	0.4	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other	5.1	4.8	4.5	5.7	5.8	6.0	5.0	4.8	4.7	4.6	4.5
Capital expenditure and net lending	2.2	2.2	1.5	2.7	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Capital expenditure	2.2	2.2	2.3	2.7	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Net lending	0.0	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-energy balance	**-17.0**	**-14.3**	**-14.7**	**-19.2**	**-18.5**	**-18.0**	**-15.1**	**-13.3**	**-12.1**	**-11.3**	**-10.7**
Non-energy balance (percent of non-energy GDP)	**-21.9**	**-19.0**	**-19.2**	**-23.4**	**-25.3**	**-26.8**	**-21.5**	**-18.3**	**-16.3**	**-14.9**	**-14.0**
Overall balance	**-10.8**	**-5.9**	**-3.7**	**-11.6**	**-10.1**	**-7.5**	**-4.1**	**-2.2**	**-1.3**	**-0.6**	**0.0**
Primary balance	**-7.9**	**-3.0**	**-0.5**	**-8.2**	**-6.2**	**-4.1**	**0.0**	**1.9**	**2.7**	**3.3**	**3.8**
Memorandum items:											
Non-energy primary balance (percent of non-energy GDP) 2/	-18.2	-15.1	-15.1	-19.3	-19.9	-21.8	-15.7	-12.7	-10.9	-9.7	-9.0
Central government debt (percent of GDP) 3/	41.5	41.8	45.4	59.3	65.9	68.7	68.8	67.4	66.2	64.9	63.1
Gross public debt (percent of GDP) 4/	59.2	58.4	61.9	79.6	87.2	88.4	87.0	84.0	81.8	79.5	76.6
Crude oil price (US$/barrel)	50.3	64.5	63.1	46.3	62.7	74.2	71.6	68.0	65.7	64.2	65.6
Henry Hub natural gas price (US$ per MMBtu)	2.8	3.1	2.7	2.1	3.5	4.1	3.7	3.3	3.2	3.1	2.8
Nominal GDP (in billions of TT$, FY)	155.2	160.3	161.3	148.7	145.1	154.5	163.9	173.2	179.6	184.9	190.4

Sources: Trinidad and Tobago authorities; and IMF staff projections.

1/ Fiscal years run from October 1 in the previous year to September 30 of the stated year.

2/ For FY2022, the non-energy primary balance would be -19.8 percent of non-energy GDP once it includes the authorities' intention to accelerate VAT refunds of 1.9 percent of non-energy GDP.

3/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the CBTT.

4/ Includes central government debt and guaranteed debt of non-self serviced SOEs and public bodies.

Table 4. Trinidad and Tobago: Balance of Payments

	2017	2018	2019	2020	Est. 2021	2022	2023	2024	2025	2026	2027
						Projections					
	(In millions of U.S. dollars unless otherwise indicated)										
Current account balance	**1,409**	**1,626**	**1,020**	**13**	**2,402**	**4,331**	**3,699**	**3,058**	**2,929**	**2,897**	**2,980**
Trade balance	3,193	4,138	2,732	969	4,604	6,691	6,033	5,405	5,253	5,203	5,285
Exports	9,645	10,756	8,764	5,965	10,472	13,036	12,243	11,761	11,644	11,635	11,786
Petroleum crude and refined	2,693	2,934	2,016	1,288	2,035	2,769	2,511	2,404	2,330	2,280	2,280
Natural gas	2,249	2,899	2,350	1,243	2,268	2,857	2,601	2,409	2,336	2,290	2,290
Petrochemicals	2,925	3,257	2,607	1,603	4,093	5,156	4,695	4,349	4,215	4,133	4,133
Other	1,777	1,666	1,791	1,831	2,076	2,255	2,437	2,599	2,763	2,931	3,082
Imports	6,452	6,617	6,032	4,996	5,867	6,345	6,210	6,357	6,391	6,432	6,501
Fuel imports	1,618	1,755	1,226	724	1,212	1,340	1,267	1,241	1,221	1,212	1,231
Capital	1,841	1,779	1,640	1,184	1,598	1,781	1,633	1,691	1,709	1,725	1,742
Other	2,993	3,083	3,167	3,088	3,058	3,225	3,309	3,425	3,461	3,495	3,529
Services and transfers (net)	-1,784	-2,513	-1,712	-956	-2,202	-2,360	-2,334	-2,346	-2,325	-2,306	-2,305
Nonfactor services (net)	-2,112	-1,712	-1,126	-1,157	-1,321	-1,289	-1,309	-1,350	-1,347	-1,342	-1,342
Factor income (net)	49	-700	-607	137	-956	-1,149	-1,104	-1,078	-1,062	-1,051	-1,052
Current transfers (net)	279	-100	22	65	75	77	80	82	84	87	90
Capital and financial account (net) 1/	**-2,533**	**-2,413**	**-1,674**	**12**	**-2,554**	**-5,209**	**-3,863**	**-3,250**	**-3,174**	**-3,128**	**-3,050**
Official, medium- and long-term (net)	229	183	162	982	-134	573	329	187	111	58	2
Disbursements	310	286	289	1,134	46	748	518	995	406	1,367	394
Amortization	80	103	127	152	180	175	189	809	294	1,309	392
Direct investment (net)	-459	-765	70	-323	-61	-48	-192	-208	-193	-183	-181
Outward (Assets)	-12	65	114	148	147	155	159	165	166	168	170
Inward (Liabilities)	-471	-700	184	-175	86	107	-33	-43	-27	-16	-11
Portfolio investment (net)	-602	-601	-1,616	-796	-2,016	-4,698	-3,050	-2,466	-2,321	-2,224	-2,167
Other investment (net)	-1,701	-1,229	-290	149	-343	-1,037	-951	-763	-771	-779	-704
Of which: net errors and omissions	-2,056	-2,247	-1,103	-140	0	0	0	0	0	0	0
Overall balance	**-1,122**	**-784**	**-644**	**25**	**-151**	**-878**	**-163**	**-192**	**-245**	**-231**	**-70**
Change in gross official reserves (increase -)	1,122	784	644	-25	151	878	163	192	245	231	70
Gross official reserves	8,370	7,575	6,929	6,954	6,803	5,925	5,762	5,570	5,325	5,095	5,025
	(In percent of GDP, unless otherwise indicated)										
Memorandum items:											
Current account balance	6.1	6.8	4.3	0.1	11.2	18.6	15.1	11.8	10.9	10.5	10.5
Energy 2/	16.5	17.6	12.7	8.2	13.5	19.8	16.1	13.0	11.8	10.9	10.5
Non-energy	-10.5	-10.7	-8.4	-8.2	-2.3	-1.3	-1.0	-1.2	-0.8	-0.4	0.0
Exports of goods	41.6	45.2	36.7	27.9	48.7	55.9	49.8	45.3	43.5	42.2	41.6
Energy exports	33.9	38.2	29.2	19.3	39.1	46.3	39.9	35.3	33.2	31.6	30.7
Non-energy exports	7.7	7.0	7.5	8.6	9.7	9.7	9.9	10.0	10.3	10.6	10.9
Imports of goods	27.8	27.8	25.3	23.4	27.3	27.2	25.3	24.5	23.9	23.4	22.9
Gross official reserves (in months of goods and NFS imports)	10.5	9.9	10.4	10.9	10.0	8.8	8.4	8.0	7.6	7.3	7.1
Crude oil price (US$/barrel) 3/	52.8	68.3	61.4	41.3	69.8	75.7	70.2	67.3	65.2	63.8	56.3
Henry Hub natural gas price (US$ per MMBtu)	3.0	3.2	2.6	2.0	3.9	4.2	3.6	3.3	3.1	3.1	2.8
Net international investment position	20.1	15.5	…	…	…	…	…	…	…	…	…
Exchange rate (TT$/US$, end of period)	6.78	6.77	6.76	6.76	…	…	…	…	…	…	…
Exchange rate (TT$/US$, average)	6.78	6.77	…	…	…	…	…	…	…	…	…

Sources: Central Bank of Trinidad and Tobago; Central Statistical Office; and IMF staff projections.
1/ Includes net errors and omissions.
2/ Includes goods and services for the energy sector.
3/ WEO simple average of three spot prices: Dated Brent, West Texas Intermediate, and Dubai Fateh.

Table 5. Trinidad and Tobago: Monetary Survey

	2017	2018	2019	2020	Est. 2021	Projections 2022	2023	2024	2025	2026	2027
	(In millions of Trinidad and Tobago dollars)										
Net foreign assets	74,454	69,613	65,182	69,016	67,531	61,908	61,120	60,142	58,807	57,572	57,429
Official net foreign assets	54,499	49,499	45,868	45,178	41,289	35,355	34,253	32,957	31,302	29,744	29,275
Commercial bank's net foreign assets	19,954	20,114	19,314	23,838	26,242	26,553	26,867	27,184	27,504	27,828	28,155
Net domestic assets	32,523	38,505	45,535	50,181	50,820	61,405	65,502	70,090	73,410	76,574	78,693
Net credit to public sector	67,303	72,875	58,923	66,539	65,687	69,010	72,843	74,760	76,818	78,210	79,952
Central government	-965	1,183	5,821	13,052	14,810	7,385	4,243	2,405	1,436	748	23
Rest of the public sector	68,268	71,693	53,102	53,487	50,877	61,626	68,599	72,355	75,382	77,463	79,929
Credit to private sector	60,567	62,964	65,727	65,512	65,323	70,820	74,634	78,904	81,318	83,699	86,173
Other items (net)	-95,346	-97,334	-79,115	-81,870	-80,189	-78,425	-81,975	-83,574	-84,726	-85,335	-87,432
Liabilities to private sector (M3)	106,097	107,342	110,437	118,305	117,916	122,878	126,187	129,796	131,782	133,711	135,687
Currency in circulation	8,037	7,889	4,779	6,729	7,065	8,147	8,366	8,606	8,737	8,865	8,996
Demand deposits	35,368	36,444	40,662	45,011	42,425	47,254	48,527	49,915	50,679	51,421	52,180
Other deposits	62,692	63,008	64,995	66,565	68,426	67,476	69,294	71,276	72,366	73,425	74,510
Nonliquid liabilities	881	777	280	892	435	435	435	435	435	435	435
	(Changes in percent of beginning-of-period reserve money)										
Net foreign assets	-7.1	-4.6	-4.1	3.5	-1.3	-4.8	-0.6	-0.8	-1.0	-0.9	-0.1
Credit to private sector	2.6	2.3	2.6	-0.2	-0.2	4.7	3.1	3.4	1.9	1.8	1.8
Liabilities to private sector (M3)	-0.4	1.2	2.9	7.1	-0.3	4.2	2.7	2.9	1.5	1.5	1.5
Memorandum items:											
Credit to private sector (12-month increase)	4.9	4.0	4.4	-0.3	-0.3	8.4	5.4	5.7	3.1	2.9	3.0
M3 velocity	1.5	1.5	1.5	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.4

Sources: Central Bank of Trinidad and Tobago; and IMF staff projections.

Table 6. Trinidad and Tobago: Indicators of External and Financial Vulnerability

	2013	2014	2015	2016	2017	2018	2019	2020	Est. 2021
	(In percent, unless otherwise indicated)								
External indicators									
Exports (percent change, 12-month basis in US$)	7.1	-14.6	-23.4	-27.5	13.4	11.5	-18.5	-31.9	75.6
Imports (percent change, 12-month basis in US$)	0.5	-14.6	-4.9	-5.9	-9.0	2.6	-8.8	-17.2	17.4
Terms of trade (1985=100), percent change	-0.2	0.6	4.8	0.5	-1.0	-1.1	0.5	0.5	0.5
Current account balance (in percent of GDP)	20.4	15.0	8.2	-3.5	6.1	6.8	4.3	0.1	11.2
Capital and financial account balance (in percent of GDP)	-17.5	-10.1	-14.3	1.5	-10.9	-10.1	-7.0	0.1	-11.9
Gross official reserves (in US$ millions)	10,177	11,493	9,927	9,466	8,370	7,575	6,929	6,954	6,803
Official reserves in months of imports of goods and NFS	10.2	12.9	11.4	11.6	10.5	9.9	10.4	10.9	10.0
Ratio of reserves to broad money	1.6	1.8	1.5	1.3	1.2	1.0	0.9	0.9	0.9
Ratio of total central government external debt to exports of goods and services	9.7	14.1	19.3	36.9	35.4	33.4	42.6	76.2	43.2
Ratio of central government external interest payments to exports of goods and services	12.7	16.8	25.4	39.6	51.8	56.6	77.2	117.1	78.6
Central government debt service to exports of goods and services	13.2	17.3	26.1	40.4	52.6	57.4	78.5	119.5	80.2
REER appreciation CPI-based (percent change)	3.5	5.8	12.7	-0.9	-2.6	-1.3	-0.7	-1.5	-1.3
Foreign currency debt rating, (Moody's, end of period)	Baa1	Baa1	Baa2	Baa3	Ba1	Ba1	Ba1	Ba1	Ba1
Foreign currency debt rating, (Standard & Poor's, end of period)	A	A	A	A-	BBB+	BBB+	BBB	BBB-	BBB-
Financial indicators 1/									
90-day treasury bill, average discount rate	0.2	0.1	0.5	1.2	1.3	1.5	1.9	1.3	0.4
90-day treasury bill, real rate	-5.1	-5.6	-4.2	-1.9	-0.6	0.5	0.9	0.7	-
Capital adequacy									
Regulatory capital to risk-weighted assets	23.1	22.5	22.1	21.9	21.0	20.9	21.2	17.1	17.2
Regulatory Tier I capital to risk-weighted assets	21.3	21.8	22.9	20.4	20.3	20.6	19.2	15.8	15.9
Regulatory Tier II capital-to-risk-weighted assets	1.8	0.7	-0.8	1.5	0.7	0.3	2.0	2.4	3.0
Banking sector asset quality									
Nonperforming loans-to-gross loans	4.2	4.1	3.4	3.1	2.9	3.0	2.9	3.2	3.3
Nonperforming loans (net of provisions)-to-capital	7.8	7.7	6.7	7.2	6.8	6.2	6.2	3.6	4.2
Specific provisions-to-impaired assets	37.6	43.5	42.1	37.1	37.4	52.0	48.9	72.9	69.1
Specific provisions-to-gross lending	1.6	1.8	1.4	1.2	1.1	1.6	1.4	2.3	2.3
Banking sector earnings and profitability									
Return on equity	14.7	13.2	18.4	20.9	18.8	21.0	24.8	11.9	15.0
Return on assets	2.0	1.8	2.6	2.7	2.5	2.7	3.2	1.4	1.8
Interest margin-to-gross income	58.9	56.4	53.9	59.2	64.3	64.7	60.5	69.9	66.2
Spread between average lending and deposit rates	8.0	7.2	7.2	7.6	7.6	7.4	7.1	6.7	6.5
Banking sector liquidity									
Liquid assets-to-total assets	27.5	25.3	24.4	22.6	20.3	19.6	22.4	22.4	19.9
Liquid assets-to-total short-term liabilities	35.3	31.7	30.4	27.2	24.4	23.5	27.1	27.7	24.7
Foreign currency liabilities-to-total liabilities	21.9	19.4	20.5	22.0	23.0	22.5	20.8	20.7	20.5

Sources: Central Bank of Trinidad and Tobago; Moody's; Standard and Poor's; and IMF staff estimates.
1/ Includes aggregate data only for commercial banks.

Table 7. Trinidad and Tobago: Financial Soundness Indicators 1/

	2015	2016	2017	2018	2019	2020	2021
Core FSIs 2/							
Regulatory capital to risk weighted assets	22.1	21.9	21.0	20.9	21.2	17.1	17.2
Regulatory Tier 1 capital to risk-weighted assets	22.9	20.4	20.3	20.6	19.2	15.8	15.9
Non-performing loans net of provisions to capital	6.7	7.2	6.8	6.2	6.2	3.6	4.2
Non-performing loans to total gross loans	3.4	3.1	2.9	3.0	2.9	3.2	3.3
Return on assets	2.6	2.7	2.5	2.7	3.2	1.4	1.8
Return on equity	18.4	20.9	18.8	21.0	24.8	11.9	15.0
Interest margin to gross income	53.9	59.2	64.3	64.7	60.5	69.9	66.2
Non-interest expenses to gross income	55.1	55.4	55.8	54.4	52.2	74.6	67.9
Liquid assets to total assets	24.4	22.6	20.3	19.6	22.4	22.4	19.9
Liquid assets to short-term liabilities	30.4	27.2	24.4	23.5	27.1	27.7	24.7
Net open position in FX to capital	5.7	12.2	15.4	13.3	8.4	11.4	15.6
Sectoral distribution of loans							
Domestic residents	97.5	96.8	95.8	94.9	94.0	93.3	93.3
Deposit takers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.5	0.4	0.5	0.8	0.7	0.8	0.7
General government	16.2	14.3	13.1	12.2	13.1	12.2	12.7
Nonfinancial corporations	37.3	37.4	37.0	36.4	33.9	33.6	33.6
Households	43.5	44.7	45.1	45.5	46.2	46.7	46.2
Nonresidents	2.1	2.6	3.3	4.0	6.0	6.7	6.7
Additional FSIs							
Capital to assets (leverage ratio)	14.1	12.9	13.2	12.1	12.4	11.9	12.2
Large exposures to capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross assets position in derivatives to capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross liabilities position in derivatives to capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trading income to total income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel expenses to total income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customer deposits to total non-interbank loans	81.6	80.9	76.2	74.9	71.4	74.3	74.6
FX loans to total loans	15.1	15.6	16.3	17.5	18.4	16.5	16.4
FX liabilities to total liabilities	20.5	22.0	23.0	22.5	20.8	20.7	20.5

Sources: IMF Financial Soundness Indicators.

1/ Data for 2021 are for 2021Q1 unless it is indicated otherwise.

2/ Data for September 2021.

Annex I. Implementation of Key Recommendations from the 2018 Article IV Consultation

Recommendations	Status
Fiscal Policy	
Adopt formal fiscal targets with a clear and transparent medium-term fiscal framework.	**Ongoing.** The authorities introduced medium-term fiscal projections for internal use. Fund TA was provided in 2018 to assist with the medium-term fiscal framework.
Complete reforms to oil and gas fiscal regime.	**Partially done.** Royalties on oil and gas production have been standardized.
Introduce revenue reforms (Revenue Authority, gambling tax bill, and property tax).	**Ongoing.** The Revenue Authority Bill was approved by the Parliament in December 2021. The Gambling (Gaming and Betting) Control Act was passed by Parliament in June 2021. The roll-out of the property tax is delayed due to challenges with the valuation process.
Improve tax administration and compliance.	**Ongoing.** TADAT TA mission was conducted in 2019. TA support is being received from CARTAC to enhance tax administration.
Address VAT refund arrears.	**Partially done.** The authorities cleared VAT refund arrears amounted to TT$3 billion through bond issuance and plan to accelerate VAT refunds to stay current thereafter.
Further reform energy subsidies.	**Ongoing.** Fuel prices have been partially adjusted over the past two years.
Contain public spending and improve its efficiency.	**Ongoing.** The authorities plan to rationalize SOE transfers and reform the SOEs providing water and electricity.
Adopt asset-liability management framework.	**Ongoing**. TA from CARTAC is planned to help develop a debt management strategy.
Monetary and Exchange Rate Policy	
Allow exchange rate to fluctuate with market forces.	**No progress.** The authorities prefer to maintain the status quo on the exchange rate regime.
Clear the FX market on a sustained basis.	**No progress.**
Financial Sector	
Strengthen financial supervision and regulatory framework.	**Ongoing.** The FSAP was completed in October 2020; Annex III summarizes implementation its key recommendations.
Strengthen AML/CFT framework.	**Ongoing.** Trinidad and Tobago made sufficient progress in strengthening its AML/CFT framework to be removed from the FATF's grey list, nevertheless the FATF highlighted areas that require further improvement.
Structural Reforms	
Implement Public Procurement Act.	**Ongoing.** Parliament approval is pending.
Adopt comprehensive public service reforms.	
Introduce reforms to National Insurance System.	**No progress**.
Statistics	
Further improve economic statistics.	**Ongoing.** The authorities joined the e-GDDS and launched a National Summary Data Page (NSDP). TA was recently provided to improve the estimates of GDP. However, the pandemic complicated the data collection. Updating census, household and labor survey are planned for 2022.

Annex II. Risk Assessment Matrix[1]

Source of Risk	Likelihood/ Time Horizon	Expected Impact	Policy Response
Global resurgence of the COVID-19 pandemic. Local outbreaks lead to a global resurgence of the pandemic (possibly due to vaccine-resistant variants), which requires costly containment efforts and prompts persistent behavioral changes rendering many activities unviable.	Medium/ **Short-term**	High Global resurgence could affect Trinidad and Tobago through energy demand and domestic economic/health outcomes. Lower energy demand would negatively impact energy sector growth and so fiscal and external positions.	• Policy support measures-including vaccination rollout—should continue to provide support to the most vulnerable sectors and households. • Careful pacing will be essential to gradually withdraw support without disrupting the recovery and avoid premature tightening before the recovery is firmed up.
Rising core yields and risk premia due to de-anchoring of inflation expectations in the U.S. A fast recovery in demand (supported by excess private savings and stimulus policies), combined with Covid-19-related supply constraints, leads to sustained above-target inflation readings and a de-anchoring of expectations. The Fed reacts by signaling a need to tighten earlier than expected. The resulting repositioning by market participants leads to a front-loaded tightening of financial conditions and higher risk premia, including for credit, equities, and emerging and frontier market currencies.	Medium/ **Short to Medium-term**	Medium • Tighter financial market conditions could cause stress balance sheets and debt services for both private and government sectors and bank funding costs may rise, posing risks to financial stability. • Higher US interest rates could encourage capital outflows, putting further pressure on the exchange rate and FX reserves.	• Continued monitoring market risks in the financial sector is critical to mitigate any risks that could materialize.
Rising commodity prices amid bouts of volatility. Commodity prices increase by more than expected against a weaker U.S. dollar, post-pandemic pent-up demand and supply disruptions, and for some materials, accelerated plans for renewable energy adoption. Uncertainty surrounding each of these factors leads to bouts of volatility, especially in oil prices.	Medium/ **Short to Medium-term**	High • Imported inflation could exacerbate inflation expectations. • Higher energy price would lead to strong fiscal and external positions, but fiscal stance could turn procyclical if fiscal policy is not anchored properly.	• Monetary policy may need to be tightened to contain inflation pressures. • A adopt a medium-term fiscal framework with a fiscal anchor to reduce the procyclicality of the fiscal policy.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

		• A substantial decline in energy prices would have negative spillovers, slowing recovery and may affect liquidity within the financial system and, over time, have a negative impact on credit growth and asset quality.	• Accelerate fiscal reforms to boost non-energy revenue collections. • Implement structural reforms to support private sector development.
Intensified geopolitical tensions and security risks Geopolitical tensions in selected countries/regions cause economic/political disruption, disorderly migration, higher volatility in commodity prices (if supply is disrupted), and lower confidence, with spillovers to other countries.	Medium/ **Short to Medium-term**	High The impact would depend on the nature of the event. • The shock would mainly operate through global energy market. • Confidence shock could trigger capital outflows, which would weigh on asset prices.	• See the recommended response to rising commodity prices above. • Enhanced surveillance of the financial system would help identify systemic risks or liquidity pressures early on. • Monetary and prudential measures can be deployed to address capital outflows if occurs.
Higher frequency and severity of natural disasters related to climate change cause severe economic damage to smaller economies susceptible to disruptions and accelerate emigration from these economies. A sequence of severe events in large economies reduces global GDP and prompts a recalculation of risk and growth prospects. Disasters hitting key infrastructure or disrupting trade raise commodity price levels and volatility.	Medium/Low **Short to Medium-term**	Medium • Although the country is outside of the hurricane belt, it can suffer from storm surges and earthquakes, affecting key infrastructure and disrupting trade. Severe events could disrupt economic activity and incur fiscal costs. • The financial sector is exposed to the region through the banking and insurance sectors. Large scale disasters can impose costs directly or through higher reinsurance premiums.	• Invest in mitigation measures to reduce the impact of natural disasters leading to lower costs. • Create natural disaster-related buffers to offset fiscal risks through insurance or dedicated budgeted funds. • Undertake a comprehensive risk assessment and integrate material aspects of climate change and environmental risks into financial sector supervision.
Cyber-attacks on critical infrastructure, institutions, and financial systems. Cyber-attacks could disrupt payment system, trigger systemic financial instability or widespread disorders in socio-economic activities and remote work arrangements.	Medium/ **Short to Medium-term**	Medium Disruptions in secure remote work arrangements and theft of personal information could create disruption in economic activity which could weaken confidence, generating adverse effect on consumers and financial markets.	• Improve spending on cyber-security. • Strengthen information security and data protection; business continuity procedures; and routine off-site tests. • Develop a methodology for mapping financial and technological network to identify critical risk concentrations.

Uncontrolled local outbreaks of COVID-19. Outbreaks in slow-to-vaccinate countries force new lockdowns. For many Emerging Markets and Low-Income Countries, policy response to cushion the economic impact is constrained by lack of policy space, with some market access countries facing additional financial tightening as a reassessment of growth prospects triggers capital outflows, depreciations, and debt defaults.	**High** **Short to Medium-term**	**High** Local resurgence of the pandemic may require containment efforts, stalling the recovery of the domestic economy, rising unemployment rates further.	Continue mass vaccination, within existing vaccine supply constraints.

Annex III. Main Recommendations of the 2020 FSAP

Recommendations and Authority Responsible for Implementation	Time[1]	Status
Financial Sector Oversight		
Undertake scenario solvency and cashflow-based liquidity stress tests for banks and conglomerate stress tests. (CBTT, TTSEC).	NT	**Ongoing.** The CBTT rolled out the revised stress testing methodology in September 2020 for solvency and liquidity tests. The CBTT conducted a stress testing and shared the results with banks in early 2021. However, while conglomerate stress tests are not currently conducted by the CBTT, a Liquidity Risk Management Guideline was issued to the banking sector in January 2021 which applies to commercial banks, licensed non-bank financial institutions, and financial holding companies. It requires comprehensive liquidity stress testing to be conducted and includes requirements for solvency based and cash-flow stress tests. It also requires licensees and financial holding companies to have a board approved Liquidity Contingency Plan ("LCP") in place.
Strengthen the independence, governance, and resources of financial supervisors, including assigning powers to issue regulation. (MoF, CBTT, TTSEC).	NT	**Ongoing.** As part of its Strategic Plan (2021–26), the CBTT is embarking on an independent review of its structure and resources for supervision which is expected to be completed by March 2022. Also, amendments to the Financial Institutions Act, 2008 is an objective of the Strategic Plan. This exercise will include a review of the functions and powers of the supervisors.
Banks. Implement the new Basel II/III banking regulations; update supervisory guidance and conduct more in-depth analysis in key risk areas. (MoF, CBTT).	NT	**Ongoing.** The "Financial Institutions Capital Adequacy Regulations, 2020" was enacted on May 14, 2020 and are now in effect. The first ICAAP submissions, based on the CBTT ICAAP guidelines issued in November 2020, are being due by end January 2022. Recently, IMF/CARTAC provided TA to the authorities to support the conduct of Pillar II SREP reviews of ICAAPs, as well as the development of the leverage and Liquidity Coverage Ratio (LCR). In August 2021, the CBTT issued a Framework for the Identification of a Domestic Systemically Important Bank and deriving the higher loss absorbency requirement for industry consultation. Several new and/or

		updated supervisory guidelines have been issued while some guidelines, including draft credit risk management, outsourcing, and market risk management, are in the final stages.
Insurers. Implement modern insurance legislation and risk-based supervision. (MoF, CBTT).	I	**Addressed.** The Insurance (Amendment) Act, 2020, was proclaimed and became effective on January 1st, 2021. The accompanying regulations also took effect from January 1, 2021.
Investment Funds. Introduce regulation for investment funds, require industry-wide compliance; and implement carefully sequenced industry-wide transition to floating funds. (MoF, TTSEC, CBTT).	NT MT	**No progress.**
Credit Unions. Adopt new legislation and regulation for supervision and assign to a fully independent supervisor with sufficient powers and resources. (MoF).	NT	**Ongoing.** A committee chaired by the Ministry of Youth Development and National Service comprising representatives from the Ministry of Finance, Central Bank, and credit union sector has been set up to develop policy proposals for the establishment of an independent authority to regulate credit unions and other co-operatives.
Financial Markets Infrastructure. Enact a comprehensive National Payments Law. (MoF, CBTT).	MT	**Ongoing.** The CBTT issued a Policy Proposal Document for a comprehensive Payment Systems Bill—with IMF TA— for consideration to all the financial institutions and other participants of the payment system in May 2021. Feedback has been received from stakeholders and the IMF is currently working with CBTT in drafting the new legislation. The authorities plan to introduce legislation in 2022–23.
Financial Conglomerates. Implement consolidated risk assessment methodology for financial conglomerates with cross-sector views of all material entities. (CBTT, TTSEC).	NT	**Ongoing.** A regional technical working group was established at the CGBS level to address consolidated supervision for financial conglomerates with cross-sector subsidiaries in the banking, insurance, and securities sectors. Sub-committees have been established to determine appropriate methodologies for determining group capital adequacy and group liquidity for a mixed financial group as well as the information to be shared among the supervisors of a mixed financial group to ensure appropriate risk assessments.

Systemically Important Financial Institutions (SIFIs). Revise deemed SIFI list, using best practice methodology, assign commensurate supervisory powers, and implement buffers. (MoF, CBTT).	NT	**Ongoing.** A Framework for the Identification of a Domestic Systemically Important Bank and Determination of the higher loss absorbency (HLA) was issued for public consultations in August 2021 and is in the process of being finalized. The best practice methodology was also applied to the five deemed SIFIs with a view to revising the list of deemed SIFIs.
Market Integrity. Continue to strengthen the AML/CFT framework and address remaining FATF recommendations. (Authorities).	NT	**Ongoing.** The CBTT's Risk Based AML Supervisory Framework was published in January 2020. Four of the Five Recommendations which received 'partially compliant' ratings based on the 2016 MER for Trinidad and Tobago are being addressed by other national competent authorities.
System wide oversight and macroprudential policy. Strengthen financial sector data, assign macroprudential powers to CBTT and implement prudential policies that encourage banks to limit sovereign exposures. (Authorities).	NT	**No progress.** The CBTT indicated that this issue will be examined during the review of the Financial Institutions Act, 2008, which is currently underway.
Financial Safety Net • Amend legislation to align resolution regime with best international practice, establish a resolution unit at CBTT, and initiate resolution planning. • Strengthen emergency lending assistance, deposit insurance, and resolution funding. (MoF, CBTT, DIC)	NT	**Ongoing.** The Framework for the Recovery and Resolution of Financial Institutions was completed in September 2021, following a consultative process with the TTSEC and the DIC. A comprehensive process of reviewing the legislative framework is underway with a view to ensuring alignment with best international practice and has been included in the CBTT's Strategic Plan. The process is scheduled to take place over the next three years.
Financial Development and Climate Risk		
Develop a financial sector development policy strategy covering DFI mandates and state-owned commercial banks. (MoF).	NT	**No progress.**
Undertake a comprehensive environmental risk assessment of the financial sector and develop a green finance strategy. (MoF).	NT	**Ongoing.** The CBTT has considered climate related-risks a material threat to financial stability in its most recent Financial Stability Reports 2019 and 2020. Physical and transition risks are considered the main source of climate related risks in Trinidad and Tobago. While the CBTT has not yet set out a strategy to embed climate-related risks into supervision and regulation of its supervised sectors or undertaken an analysis of

		the climate related risks exposures of the country's financial institutions, both issues are included in its Strategic Plan 2021/22–2025/26. In addition, the CBTT has joined the network for Greening the Financial System (NGFS) in order to enhance its monitoring of emerging practices and developments and network with other regulators/supervisors.
[1] "I", "NT", and "MT" stand for "Immediate" (within one year), "near-term" (1–3 years), and "medium-term" (3–5 years). MoF: Ministry of Finance; CBTT: Central Bank of Trinidad and Tobago; TTSEC: Trinidad and Tobago Securities and Exchange Commission; DIC: Deposit Insurance Corporation.		

Annex IV. External Sector Assessment

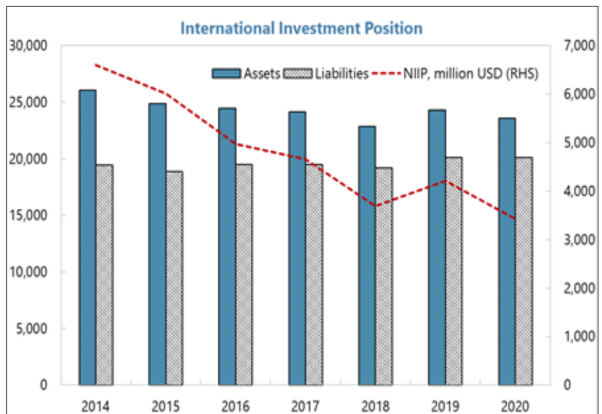
Overall Assessment: Based on the EBA-Lite model, the external position of Trinidad and Tobago in 2020 was weaker than the level implied by fundamentals and desirable policies. The country is a net creditor, with a large positive net international investment position (NIIP), and gross international reserves are adequate under all metrics. The external assessment model estimates a current account gap of -3.4 percent in 2020.

Potential Policy Responses: Given the authorities' commitment to the current de facto exchange rate arrangement, medium-term fiscal consolidation, together with structural reforms to support the development of the non-energy sector which would improve competitiveness, are needed to protect the current level of reserve buffers and increase savings for future generations.

Foreign Assets and Liabilities: Position and Trajectory

Background. Trinidad and Tobago is a net creditor. The NIIP is estimated at US$3.4 billion (15.9 percent of GDP) at end-2020, 8 percentage points of GDP below its peak in 2015. The decline in NIIP is primarily driven by continued decrease in gross foreign assets (GFAs), in specific, debt securities under portfolio investments, while gross foreign liabilities remained constant.

Assessment. Under current policies, a continued decline in international reserves is expected, which would decrease GFAs. The effects on the NIIP depend on the nature of the capital outflows, however, given very large errors and omissions in the Financial Account of the BoP, and the lack of capital account data create large uncertainty about the assessment of the NIIP in the medium term. Nonetheless, staff expect Trinidad and Tobago to continue to be a net creditor.



Source: Trinidad and Tobago authorities and IMF staff calculations.

2020 (% GDP)	NIIP: 15.9	Gross Assets: 109.1	Debt Assets: 57.1	Gross Liab.: 93.2	Debt Liab.:[1] 75.53

Current Account

Background. The current account (CA) balance surplus narrowed significantly from 4.3 percent of GDP in 2019 to 0.1 percent of GDP in 2020 due to a sharp decline in energy exports, driven by the weak performance of the energy sector from supply shocks coupled with the energy price shock that accompanied the global pandemic. This resulted in an unusual negative trade balance of 0.9 percent of GDP (vs. an average surplus of 6 percent of GDP in the previous five years). The compression in imports of goods and services, linked to the recession and sanitary restrictions, contributed to balance the current account. The current account balance is expected to recover significantly to a surplus of 11.2 percent of GDP in 2021 and remain in surplus over the medium term at the back of the recovery in the energy sector.

Assessment. The EBA-lite current account model estimates a cyclically adjusted CA of 1 percent of GDP, including adjustment for the temporary effect of the pandemic on oil trade balance and tourism (0.7 percent of GDP), and suggests a CA norm of 4.5percent of GDP in 2020 after cyclical and multilateral consistency adjustments. This implies a CA gap of -3.4 percent of GDP.

Trinidad and Tobago: Model Estimates for 2020 (in percent of GDP)

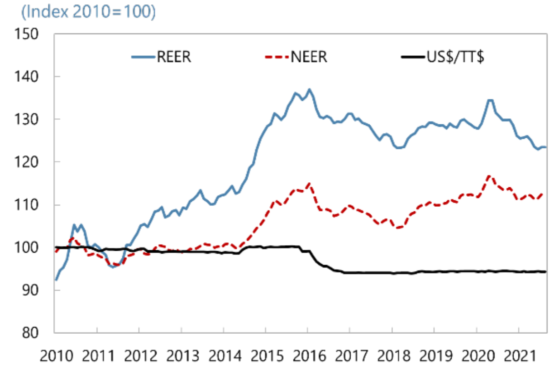
	CA model	REER model
CA-Actual	**0.1**	
Cyclical contributions (from model) (-)	0.6	
COVID-19 adjustor (+) 1/	0.7	
Additional temporary/statistical factors (+)	0.0	
Natural disasters and conflicts (-)	-0.9	
Adjusted CA	**1.0**	
CA Norm (from model) 2/	**4.5**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**4.5**	
CA Gap	**-3.4**	**-6.1**
o/w Relative policy gap	-1.1	
Elasticity	-0.30	
REER Gap (in percent)	**11.6**	**20.4**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on oil trade balances (0.19 percent of GDP) and tourism (0.53 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The real effective exchange rate (REER) depreciated by 7.2 percent between March 2020 and June 2021 due to a 3.7 percent depreciation in the nominal effective exchange rate and a 3.5 percent decrease in the relative price index. Despite this depreciation, the REER remains overvalued with respect to the levels implied by medium-term fundamentals and desirable policies. This is consistent with the observed tightness in the domestic foreign exchange (FX) market and the one-sided interventions by the Central Bank of Trinidad and Tobago, which have kept the nominal exchange rate vis-à-vis the US dollar stable.

Exchange Rate Developments
(Index 2010=100)



Sources: IMF Information Notice System; and IMF staff estimates.

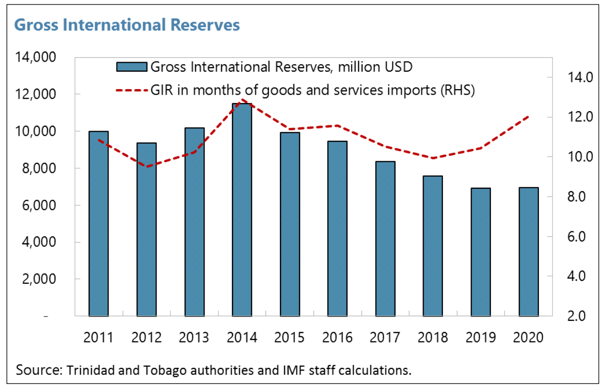
Assessment. The EBA-lite CA gap implies a REER overvaluation of 11.6 percent using an elasticity of -0.3. This is consistent with the direction of overvaluation produced by the EBA-Lite REER model which implies a REER overvaluation of 20.4 percent.[2]

Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account balance has been historically negative. This mainly reflects outward investment by residents in the form of portfolio and other investment. However, such capital outflows usually more than offset current account surpluses beginning in 2015. In 2020, inflows from external sovereign borrowing (external bond issuance and from International Financial Institutions) and withdrawal from the Heritage and Stabilization Fund (HSF), the country's sovereign wealth fund, have helped to stabilize foreign reserves.

Assessment. With continued capital outflows, foreign reserves have been declining steadily from a peak of US$11.5 billion in 2014 to US$6.8 billion in November 2021.

FX Intervention and Reserve Levels



Background. Trinidad and Tobago's de facto exchange rate is classified as a stabilized arrangement. Gross international reserves (GIRs) are large at 34.2 percent of GDP in 2020. The FX market is reliant on FX inflows from oil and gas receipts, which have been lower than demand for FX since 2014, prompting the CBTT to intervene, and these regular one-sided interventions represent the main source of reserve loss since 2014.

Assessment. GIRs remain broadly adequate under all metrics. GIRs stood at US$6.9 billion (12 months of imports) in December 2020, equivalent to 275 percent of the IMF's composite reserve adequacy (ARA) EM metric.[3] GIRs also exceed conventional benchmarks of reserve adequacy, including 3 months of imports of goods and services, 20 percent of broad money, and short-term debt falling due within one year. Under current policies, staff projects continued capital outflows larger than the anticipated recovery of the current account balance surplus over the medium term, resulting in a gradual decline in reserves to 7 months of imports by 2027. Note, however, the lack of capital account data creates large uncertainty on the assessment.

[1] Debt liabilities are with the IMF and include the Special Drawing Rights (SDR) allocation.

[2] The magnitude of overvaluation of the 2 models (CA and REER) are somewhat different, but the difference could be partially explained by the fact that the REER model doesn't incorporate an adjustment for the temporary impact of the pandemic on oil trade balances, while the CA model does.

[3] Although Trinidad and Tobago's exchange rate is classified as a stabilized arrangement, there are only two ARA metrics, one for floating and one for fixed. The latter is applied to all exchange rate arrangements other than floating and free floating, including those classified as a stabilized arrangement. The metric is: 0.30*short-term debt + 0.2*other liabilities + 0.10*broad money + 0.10*exports of goods.

Annex V. Debt Sustainability Analysis

Despite recent consolidation efforts, the combined shocks of the COVID-19 pandemic and the energy production and price shocks contributed to a sharp rise in Trinidad and Tobago's public debt (central government) and financing needs in FY2020-FY21. Under the baseline scenario, sustained fiscal deficits will continue pushing public debt to a peak of 68.8 percent of GDP in FY2023 and gradually decline thereafter to reach 63.1 percent of GDP by FY2027. Debt sustainability risks reflect a growing debt burden and large contingent liabilities in the form of government guarantees. Gross financing needs are expected to remain at around 7 percent of GDP over the medium term. Yet the country's financial buffers are large, attenuating the risks associated with the elevated debt level. Debt dynamics are vulnerable to real growth, real interest rate and contingent liabilities shocks. External debt is at low levels but is projected to peak at 28 percent of GDP in 2022 and then gradually decline to 24.4 percent of GDP by 2027 but remains sensitive to current account and real exchange rate shocks.

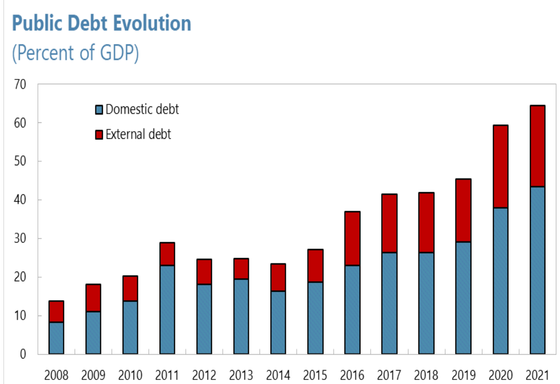
A. Public Debt Sustainability Analysis

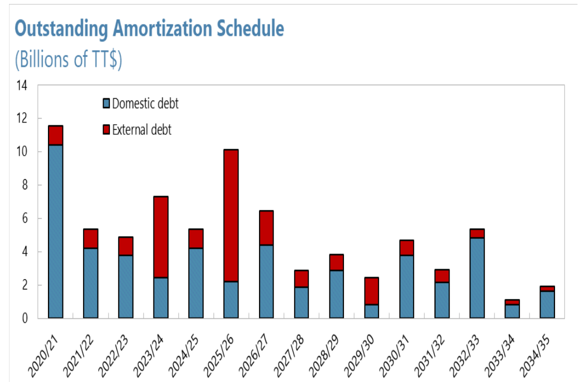
Background

1. DSA debt perimeter. For this DSA, the debt perimeter only covers the central government sector due to lack of consolidated general government and public sector data. Also, the analysis excludes short-term debt issued for open market monetary policy operations. These instruments amounted to about 7.3 percent of GDP at end-FY2021 and were matched by corresponding "frozen" government deposits in the domestic banking system.

2. Debt developments. After surging from 23.5 percent of GDP in FY2014 to 45.4 percent in FY2019, central government debt rose further to 59.3 percent of GDP in FY2020 and further to 65.9 percent in FY2021, reflecting two years of GDP contraction, larger primary deficits—due to COVID-19, and the steep decline of energy production and prices. The debt-to-GDP ratio is projected to peak in FY2023 at 68.8 percent of GDP, slightly below the emerging market debt burden benchmark of 70 percent of GDP, and then gradually decline over the medium-term to reach 63.1 percent of GDP by FY2027.

3. Debt profile. Domestic debt stood at 44.7 percent of GDP at end-FY2021 while external debt is relatively low at 21.2 percent of GDP. The debt profile of Trinidad and Tobago is dominated by medium- and long-term maturities, and a moderate foreign currency share of outstanding debt.





Sources: Trinidad and Tobago authorities and IMF staff calculations.

Baseline Scenario

4. Macroeconomic assumptions. The macroeconomic outlook assumes a continuation of current policies with modest progress on the reform agenda, and an average annual rate of GDP growth of 2.4 percent over the forecast horizon. Inflation is expected to accelerate transitorily in 2022 due to higher international food prices. Fiscal deficits will gradually decline and reach balance by FY2027, with primary surplus average of 1.3 percent of GDP.

5. Debt projections. Under current policies, public debt is forecast to peak at 68.8 percent of GDP in FY2023 and then gradually decline to 63.1 percent of GDP by FY2027. The primary balance is projected to reach balance in FY2023 and gradually increase over the projection horizon but remains the main driver of debt increase in FY2022–23—after the real interest rate—as the contribution of growth to debt reduction will not be large enough to offset adverse dynamics from fiscal deficits.

6. Gross financing needs (GFNs). Under the baseline, GFNs are projected to be stable over the medium term, averaging about 7 percent of GDP. Around two-thirds of GFNs are assumed to be met by issuance of medium- and long-term domestic debt, while external borrowing covers the remaining part. The authorities had made use of "one-off" financing measures and withdrawals from the Heritage Stabilization Fund (HSF) sovereign wealth assets in the last several years to limit the debt accumulation. However, there is some uncertainty regarding the realization of "one-off" financing given legal complexities in unwinding some assets and questions about the sustainability of "super-dividends". Furthermore, while the authorities have sizeable financial buffers, including HSF assets (26 percent of GDP at September-2021), these could be reduced by the persistent fiscal deficits assumed under the baseline.

One-Off Financing Measures
(Percent of GDP)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Withdrawals from HSF	0.0	0.0	1.6	1.1	0.0	0.0	4.5	4.2
Sale of fixed assets	0.0	2.9	2.4	0.8	0.5	0.6	0.3	0.6
Super-dividends	2.6	3.3	2.8	1.3	1.9	0.6	0.0	0.0

Source: Ministry of Finance of Trinidad and Tobago; and IMF staff calculations.

7. **Realism of baseline assumptions.** In the past, staff's projections of real GDP growth and primary balance have been relatively optimistic. However, under the current baseline assumptions, the DSA assessment remains robust to changes in macroeconomic variables. Staff's projected maximum 3-year adjustment in the cyclically adjusted primary balance (CAPB) over the projection period is in the 3rd percentile among all advanced and emerging surveillance countries with debt greater than 60 percent of GDP, while the 3-year average level of CAPB is in the 31st percentile.

Stress Tests

8. **Debt dynamics and GNFs remain vulnerable to macroeconomic risks.** Shocks to the baseline macroeconomic variables could significantly worsen the debt path and increase GFNs—in some cases the debt ratio and GFNs remain well above the high-risk MAC-DSA benchmarks for emerging market economies. Results of these stress tests are summarized below:

- **Growth shock.** A one standard deviation shock (for two consecutive years) to real GDP growth would lead public debt to peak at 74 percent of GDP by FY2024 and remain slightly above the emerging market debt burden benchmark of 70 percent of GDP thereafter. GFNs would also increase relative to the baseline averaging 8.6 percent of GDP over the projection horizon.

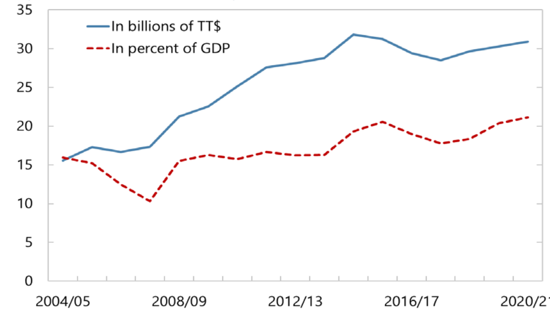
- **Primary balance shock.** Under this scenario, the primary balance is assumed to deteriorate by 4 percentage points (a half standard deviation) relative to the baseline over the projection horizon. This would result in public debt peaking at 71 percent of GDP in FY2023 and decline thereafter to reach 67.1 percent of GDP by FY2027 (4 percentage points of GDP higher than in the baseline). GFNs would average 8.5 percent of GDP over the projection horizon.

- **Real interest rate and real exchange rate shocks**. Under the real interest rate shock scenario, the real interest rate is increased by 1377 bps over FY2023–27. In the real exchange rate shock scenario, the nominal exchange rate depreciates by 20 percent over FY2023–27. Materialization of the interest rate shock would impact the debt ratio and GFNs. The debt levels and GFNs would reach 74.8 percent of GDP and 9.6 percent of GDP, respectively by FY2027. Debt service would absorb about 47.3 percent of central government revenue in FY2027. In the real exchange rate shock, debt ratio and GFNs would marginally increase relative to the baseline.

- **Combined macro-fiscal shock.** A combination of various macro-fiscal shocks—growth, inflation, primary balance, exchange rate depreciation, and an increase in real interest rate—would raise the debt ratio and GFNs to 92.6 percent and 12.6 percent of GDP in FY2027, respectively. The debt service-to-revenue ratio jumps to 57.1 percent, 27.4 percentage points higher than in the baseline. Differently from other scenarios, the debt-to-GDP ratio would not enter a modest decreasing trend due to the long-term impact on debt service.

- **Contingent liabilities shock.** Fiscal risks arising from government guarantees could further exacerbate the debt path if they materialize. Contingent liabilities to the government stem from borrowing by public bodies (i.e., state-owned enterprises and statutory bodies), where central government guarantees are initially issued to them in the form of a letter of comfort and are eventually replaced by formal guarantees. As of end-FY2021, guaranteed debt accounted for 24.4 percent of public debt, which is denominated primarily in domestic currency, and reached 21.3 percent of GDP.

Guaranteed Debt
(Billions of TT$; Percent of GDP)



Sources: Ministry of Finance of Trinidad and Tobago and IMF staff calculations.

9. The heatmap indicates moderate risks from the debt level and financing needs under stress scenarios. Risks from the debt level are deemed moderate as the level of debt will slightly breach the debt burden benchmark of 70 percent of GDP for emerging markets under certain shocks. GFNs will not exceed the benchmark of 15 percent of GDP. However, the fan charts, which illustrate the possible evolution of public debt over the medium term, reflect high uncertainty surrounding the public debt trajectory.

B. External Debt Sustainability Analysis

10. External debt-to-GDP ratio has increased in recent years but remains at a low level (25.5 percent of GDP in 2021). The surge was triggered by both a rise in the government borrowing and a drop of nominal GDP as a result of the COVID-19 pandemic. External debt (central government and commercial banks) reached 26 percent of GDP at end-2020, albeit up from 9.8 percent at end-2014, most of which is long-term and denominated in U.S. dollars. This was mainly due to a rise in central government borrowing through external bonds and loans from multilateral development banks.

11. External debt is expected to gradually decline over the projection period but remains vulnerable to shocks. Under the baseline, external debt is expected to peak at 28 percent of GDP in 2022 and gradually decline to reach 24.4 percent of GDP by 2027. This may be higher if the government increases reliance on external financing to help fund infrastructure projects. The results of the stress tests show that external debt is particularly sensitive to current account and exchange rate shocks. External-debt-to-GDP would increase to 51 and 35 at the end of the projection period following a current account shock and real exchange rate depreciation shock, respectively.

Figure 1. Public Sector Debt Sustainability Analysis (DSA)—Baseline Scenario

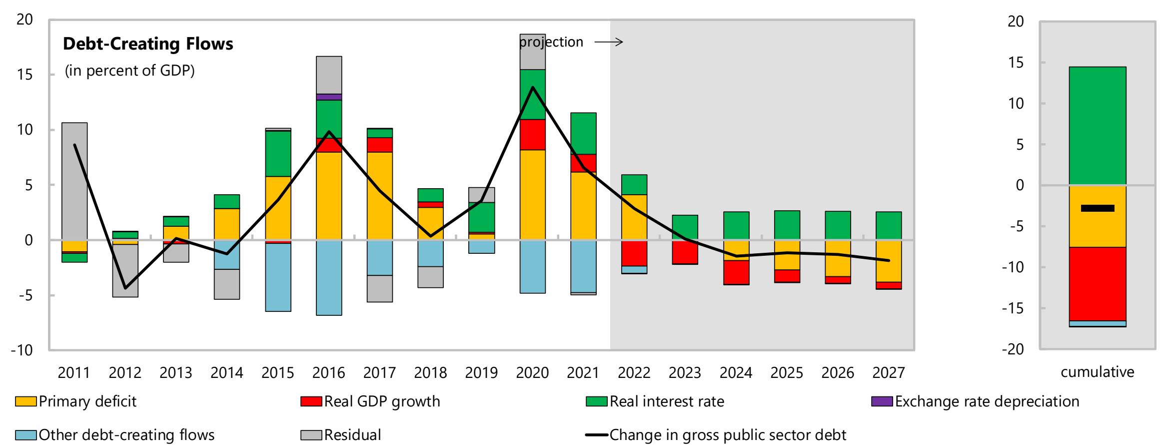
(In percent of GDP or otherwise indicated)

Debt, Economic and Market Indicators [1/]

	Actual			Projections						As of October 20, 2021		
	2011-2019 [2/]	2020	2021	2022	2023	2024	2025	2026	2027	Sovereign Spreads		
Nominal gross public debt	32.7	59.3	65.9	68.7	68.8	67.4	66.2	64.9	63.1	EMBIG (bp) 3/		343
Public gross financing needs	7.4	17.6	15.0	11.1	9.9	7.7	5.4	7.6	4.6	5Y CDS (bp)		n.a.
Real GDP growth (in percent)	-0.7	-5.6	-2.7	3.8	3.3	3.3	1.7	1.0	1.0	Ratings	Foreign	Local
Inflation (GDP deflator, in percent)	2.7	-2.4	0.3	2.5	2.7	2.3	2.0	2.0	2.0	Moody's	Ba1	Ba1
Nominal GDP growth (in percent)	1.9	-7.9	-2.4	6.5	6.1	5.6	3.7	3.0	2.9	S&Ps	BBB-	BBB-
Effective interest rate (in percent) [4/]	7.8	6.9	6.5	5.5	6.3	6.3	6.2	6.0	6.1	Fitch	n.a.	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2011-2019	2020	2021	2022	2023	2024	2025	2026	2027	cumulative	debt-stabilizing
Change in gross public sector debt	2.8	13.9	6.6	2.9	0.1	-1.4	-1.1	-1.3	-1.9	-2.8	primary
Identified debt-creating flows	2.5	10.6	6.8	2.9	0.1	-1.4	-1.1	-1.3	-1.8	-2.7	balance [9/]
Primary deficit	3.1	8.2	6.2	4.1	0.0	-1.9	-2.7	-3.3	-3.8	-7.6	2.0
Primary (noninterest) revenue and grants	27.1	22.8	24.9	25.8	27.5	28.2	28.3	28.2	28.3	166.2	
Primary (noninterest) expenditure	30.2	30.9	31.1	29.9	27.5	26.3	25.5	24.9	24.5	158.6	
Automatic debt dynamics [5/]	1.9	7.3	5.4	-0.6	0.1	0.4	1.6	2.0	2.0	5.5	
Interest rate/growth differential [6/]	1.9	7.3	5.4	-0.6	0.1	0.4	1.6	2.0	2.0	5.5	
Of which: real interest rate	1.6	4.5	3.7	1.8	2.3	2.6	2.7	2.6	2.6	14.5	
Of which: real GDP growth	0.3	2.7	1.6	-2.4	-2.1	-2.1	-1.1	-0.6	-0.6	-9.0	
Exchange rate depreciation [7/]	0.1	0.0	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	-2.5	-4.8	-4.8	-0.6	0.0	0.0	0.0	0.0	0.0	-0.6	
Net privatization proceeds (negative)	-2.5	-4.8	-4.8	-0.6	0.0	0.0	0.0	0.0	0.0	-0.6	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Please specify (2) (e.g., ESM and Euroarea loans)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes [8/]	0.2	3.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	



Source: IMF staff.

1/ Public sector is defined as central government.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

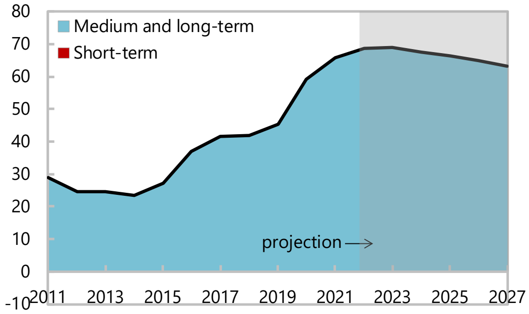
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 2. Public DSA—Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

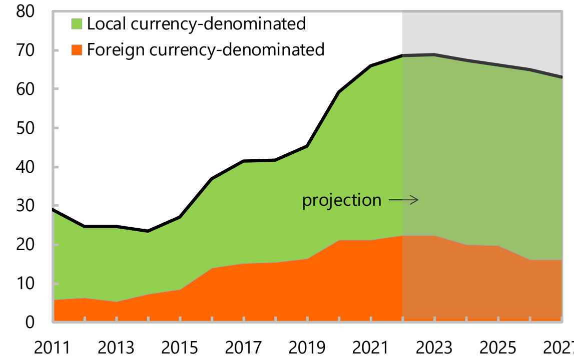
By Maturity

(In percent of GDP)



By Currency

(In percent of GDP)

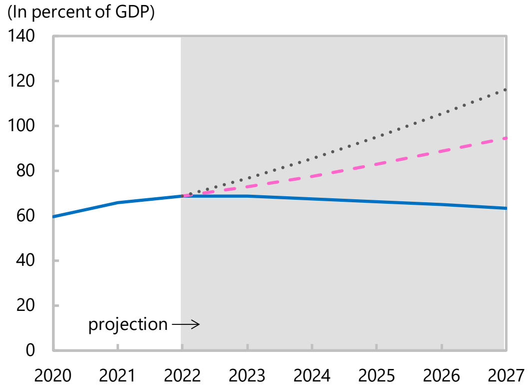


Alternative Scenarios

Baseline Historical Constant Primary Balance

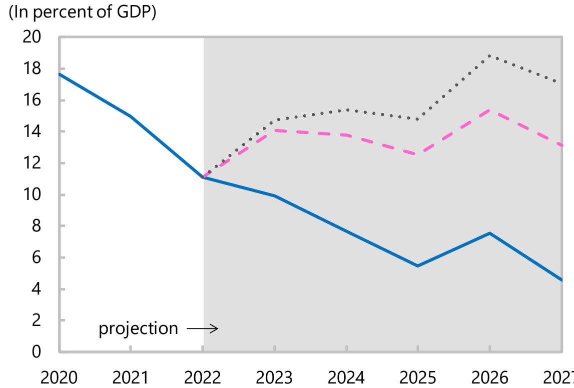
Gross Nominal Public Debt

(In percent of GDP)



Public Gross Financing Needs

(In percent of GDP)



Underlying Assumptions

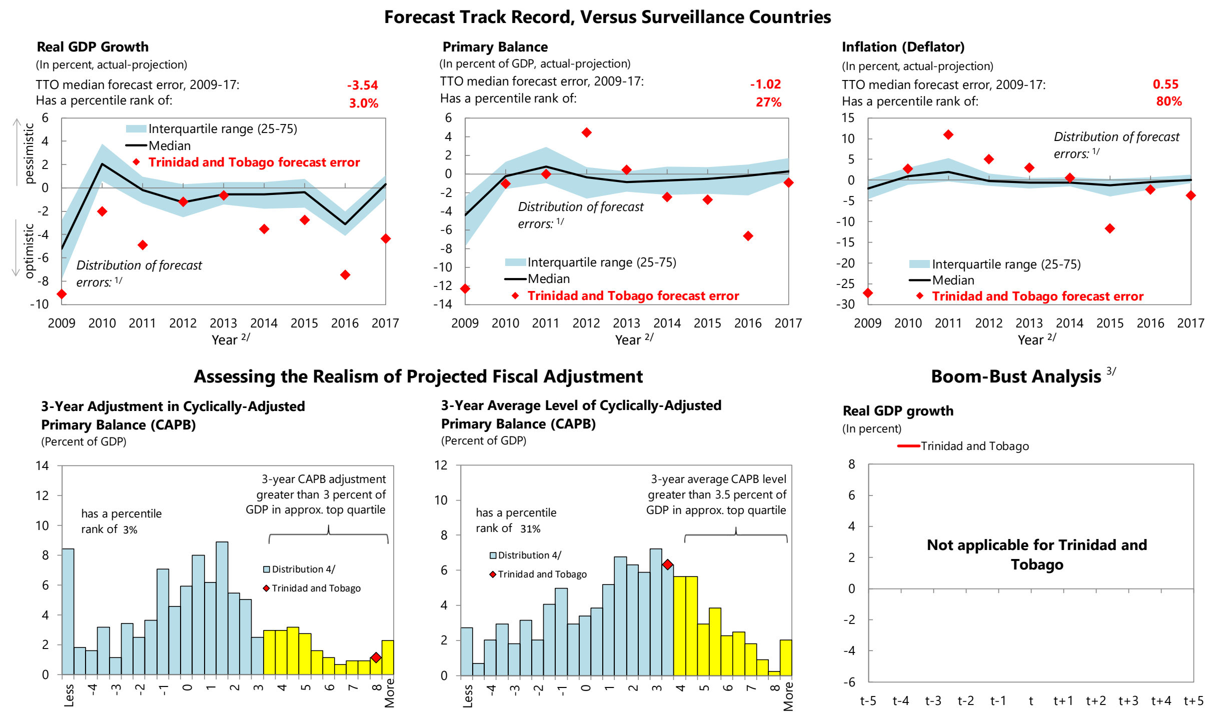
(In percent)

Baseline Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	3.8	3.3	3.3	1.7	1.0	1.0
Inflation	2.5	2.7	2.3	2.0	2.0	2.0
Primary Balance	-4.1	0.0	1.9	2.7	3.3	3.8
Effective interest rate	5.5	6.3	6.3	6.2	6.0	6.1
Constant Primary Balance Scenario						
Real GDP growth	3.8	3.3	3.3	1.7	1.0	1.0
Inflation	2.5	2.7	2.3	2.0	2.0	2.0
Primary Balance	-4.1	-4.1	-4.1	-4.1	-4.1	-4.1
Effective interest rate	5.5	6.3	6.1	5.6	5.1	4.9

Historical Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	3.8	-1.6	-1.6	-1.6	-1.6	-1.6
Inflation	2.5	2.7	2.3	2.0	2.0	2.0
Primary Balance	-4.1	-4.3	-4.3	-4.3	-4.3	-4.3
Effective interest rate	5.5	6.3	6.6	6.6	6.5	6.7

Source: IMF staff.

Figure 3. Public DSA—Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes Surveillance Countries, percentile rank refers to all countries.

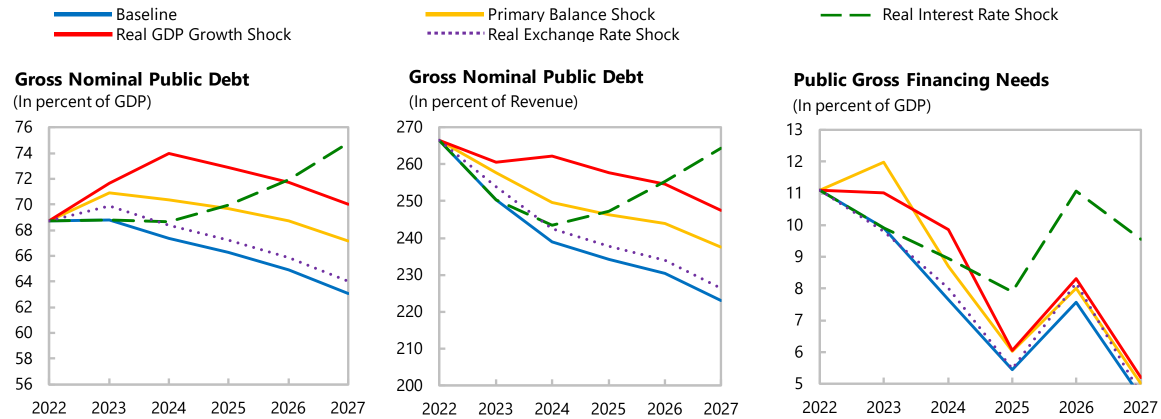
2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Trinidad and Tobago, as it meets neither the positive output gap criterion nor the private credit growth criterion.

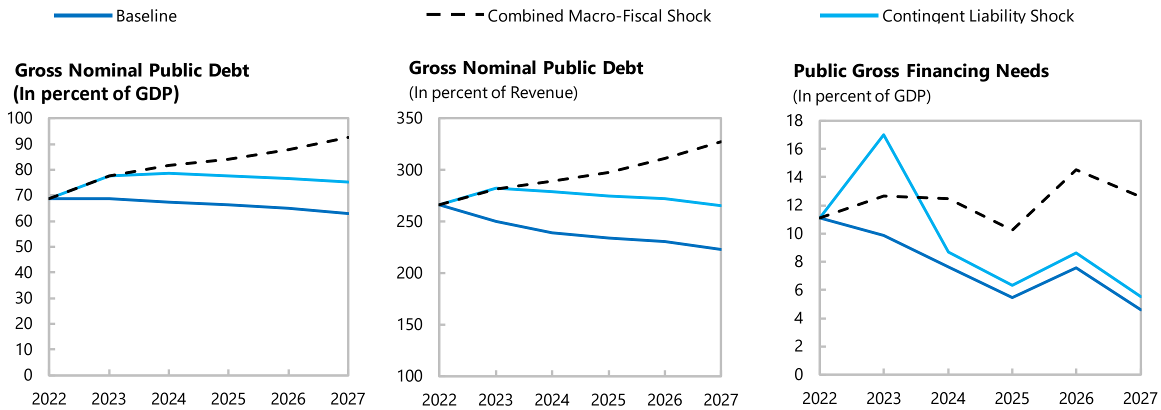
4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 4. Public DSA—Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(In percent)

Primary Balance Shock	2022	2023	2024	2025	2026	2027
Real GDP growth	3.8	3.3	3.3	1.7	1.0	1.0
Inflation	2.5	2.7	2.3	2.0	2.0	2.0
Primary balance	-4.1	-2.1	0.9	2.3	3.0	3.5
Effective interest rate	5.5	6.3	6.3	6.1	5.9	6.0
Real Interest Rate Shock						
Real GDP growth	3.8	3.3	3.3	1.7	1.0	1.0
Inflation	2.5	2.7	2.3	2.0	2.0	2.0
Primary balance	-4.1	0.0	1.9	2.7	3.3	3.8
Effective interest rate	5.5	6.3	8.3	9.7	10.8	12.5
Combined Shock						
Real GDP growth	3.8	0.9	0.9	1.7	1.0	1.0
Inflation	2.5	2.1	1.7	2.0	2.0	2.0
Primary balance	-4.1	-2.1	0.3	2.3	3.0	3.5
Effective interest rate	5.5	6.6	8.4	10.0	11.0	12.8

Real GDP Growth Shock	2022	2023	2024	2025	2026	2027
Real GDP growth	3.8	0.9	0.9	1.7	1.0	1.0
Inflation	2.5	2.1	1.7	2.0	2.0	2.0
Primary balance	-4.1	-0.8	0.3	2.7	3.3	3.8
Effective interest rate	5.5	6.3	6.3	6.1	5.9	6.0
Real Exchange Rate Shock						
Real GDP growth	3.8	3.3	3.3	1.7	1.0	1.0
Inflation	2.5	7.7	2.3	2.0	2.0	2.0
Primary balance	-4.1	0.0	1.9	2.7	3.3	3.8
Effective interest rate	5.5	6.6	6.2	6.1	6.0	6.0
Contingent Liability Shock						
Real GDP growth	3.8	0.9	0.9	1.7	1.0	1.0
Inflation	2.5	2.1	1.7	2.0	2.0	2.0
Primary balance	-4.1	-6.5	1.9	2.7	3.3	3.8
Effective interest rate	5.5	6.8	6.3	6.2	6.0	6.0

Source: IMF staff.

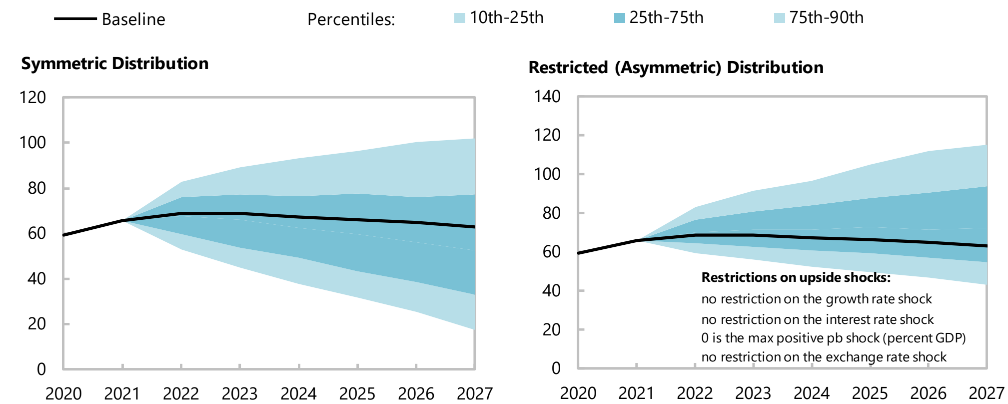
Figure 5. Public DSA Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

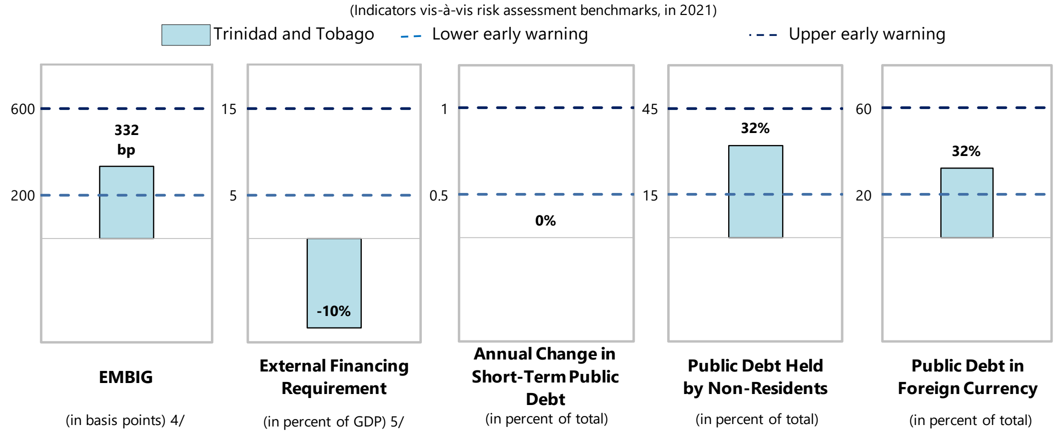
Evolution of Predictive Densities of Gross Nominal Public Debt

(In percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2021)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

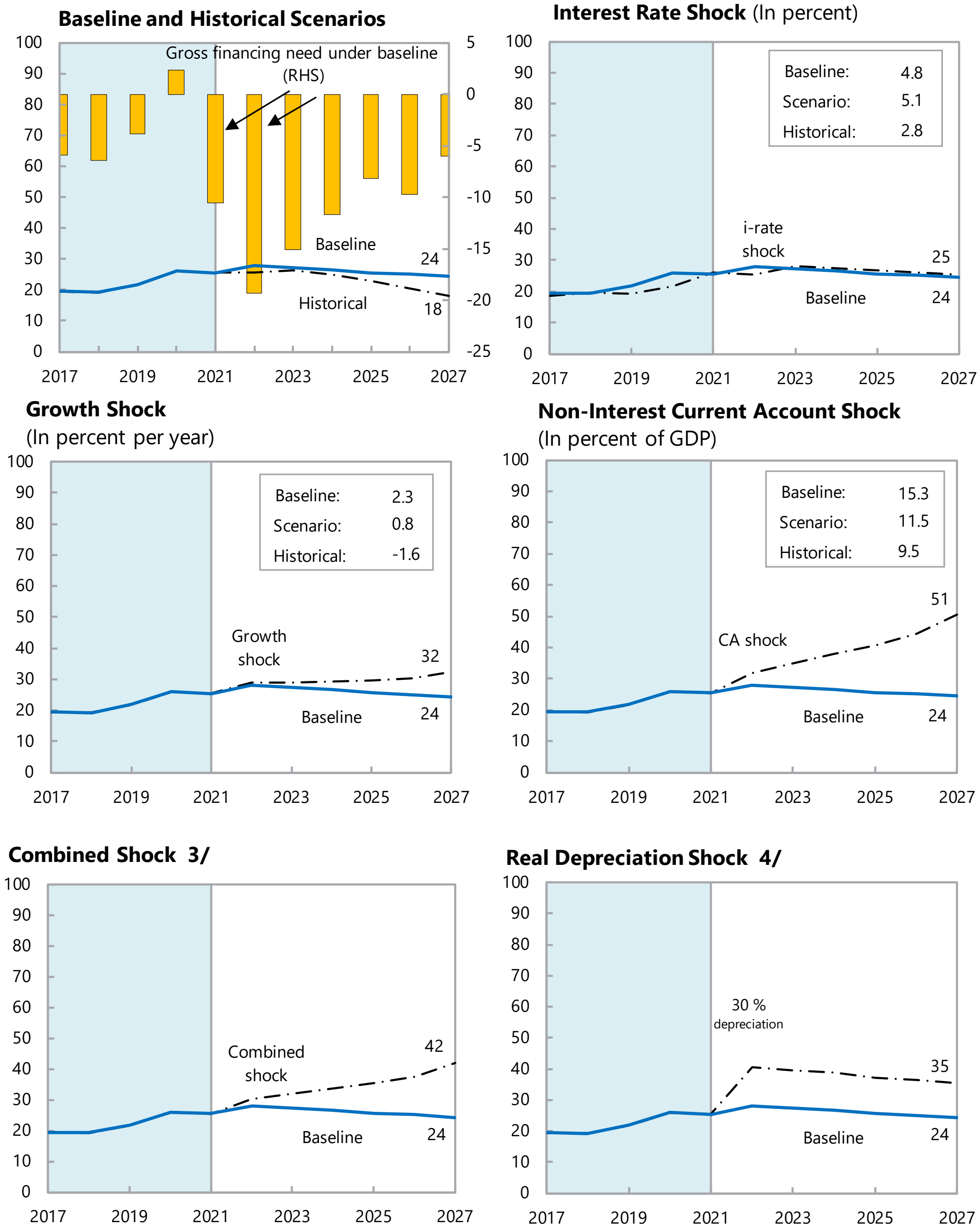
200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 22-Jul-21 through 20-Oct-21.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 6. External Debt Sustainability: Bound Tests 1/ 2/

(External Debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2010.

Table 1. External Debt Sustainability Framework, 2016–27
(In percent of GDP, unless otherwise indicated)

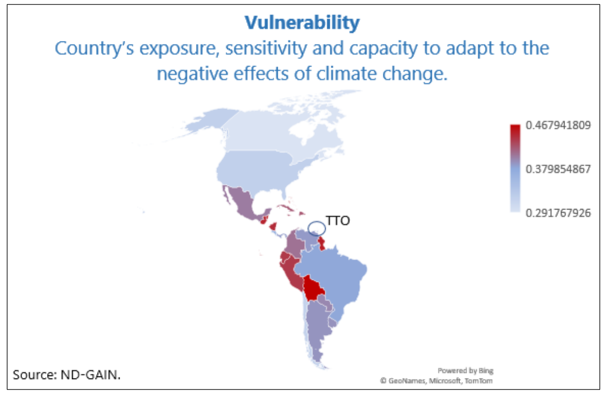
			Actual								Projections					
	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025	2026	2027		Debt-stabilizing non-interest current account 6/
Baseline: External debt	18.6	19.5	19.2	21.7	26.0			**25.5**	**28.0**	**27.2**	**26.6**	**25.6**	**25.1**	**24.4**		**7.6**
Change in external debt	5.1	0.9	-0.3	2.5	4.2			-0.5	2.5	-0.8	-0.6	-1.0	-0.5	-0.7	0.0	
Identified external debt-creating flows (4+8+9)	5.0	-4.2	-4.7	-4.3	3.1			-3.1	-4.3	-7.1	-4.9	-4.6	-3.9	-4.1	0.0	
Current account deficit, excluding interest payments	3.1	-6.9	-7.5	-5.1	-0.9			-12.7	-21.5	-17.1	-13.6	-12.4	-12.0	-15.6	-7.6	
Deficit in balance of goods and services	1.6	-4.8	-10.2	-6.9	0.9			-15.3	-25.1	-20.3	-16.5	-15.0	-14.4	-14.3		
Exports	42.2	47.5	48.9	41.2	29.6			51.2	63.0	54.8	50.1	47.1	45.7	45.0		
Imports	43.9	42.6	38.6	34.3	30.5			35.8	37.9	34.5	33.6	32.0	31.3	30.7		
Net non-debt creating capital inflows (negative)	0.0	2.0	3.2	-0.3	1.5			8.3	15.6	10.2	8.3	7.6	7.2	6.9	7.2	
Automatic debt dynamics 1/	1.9	0.6	-0.4	1.1	2.4			1.2	1.6	-0.2	0.5	0.3	0.9	4.6	0.4	
Contribution from nominal interest rate	0.4	0.6	0.6	0.7	0.8			1.4	1.4	1.2	1.2	1.2	1.2	4.8	1.2	
Contribution from real GDP growth	0.8	0.6	0.0	0.2	1.8			-0.2	0.2	-1.4	-0.7	-0.9	-0.3	-0.2	-0.3	
Contribution from price and exchange rate changes 2/	0.7	-0.5	-1.1	0.1	-0.2			...	...	...	...	...	...	...	-0.5	
Residual, incl. change in gross foreign assets (2-3) 3/	0.1	5.1	4.4	6.8	1.2			2.6	6.9	6.4	4.2	3.6	3.4	3.4	0.0	
External debt-to-exports ratio (in percent)	44.0	41.0	39.3	52.7	87.7			49.8	44.5	49.7	53.1	54.4	54.8	54.1		
Gross external financing need (in billions of US dollars) 4/	0.9	-1.3	-1.5	-0.9	0.5			-2.2	-4.2	-3.5	-2.9	-2.1	-2.6	-1.7		
in percent of GDP	3.8	-5.9	-6.4	-3.8	2.3	10-Year	10-Year	-10.5	-19.3	-15.1	-11.7	-8.2	-9.7	-6.1		
Scenario with key variables at their historical averages 5/								**25.5**	**25.6**	**26.3**	**24.8**	**22.7**	**20.4**	**18.2**		**2.2**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation								For debt stabilization	
Real GDP growth (in percent)	-5.6	-3.0	0.1	-1.2	-7.9	-1.6	3.1	0.8	-1.0	5.5	2.6	3.5	1.1	1.0	1.1	
GDP deflator in US dollars (change in percent)	-5.0	3.0	5.7	-0.8	0.9	1.4	6.7	-1.7	1.5	2.8	2.7	2.1	2.0	1.9	2.0	
Nominal external interest rate (in percent)	2.5	3.2	3.4	3.7	3.4	2.8	0.6	5.5	5.4	4.7	4.5	4.7	4.8	19.7	4.8	
Growth of exports (US dollar terms, in percent)	-26.4	12.3	8.9	-17.3	-33.2	-3.5	25.5	71.3	23.7	-5.7	-3.6	-0.8	0.1	1.4		
Growth of imports (US dollar terms, in percent)	-6.0	-2.8	-4.2	-12.9	-17.3	1.3	22.0	16.5	6.2	-1.1	2.6	0.7	0.7	1.1		
Current account balance, excluding interest payments	-3.1	6.9	7.5	5.1	0.9	9.5	7.7	12.7	21.5	17.1	13.6	12.4	12.0	15.6		
Net non-debt creating capital inflows	0.0	-2.0	-3.2	0.3	-1.5	-1.6	3.0	-8.3	-15.6	-10.2	-8.3	-7.6	-7.2	-6.9		

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate,
e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.
2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).
3/ For projection, line includes the impact of price and exchange rate changes.
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.
5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.
6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels
of the last projection year.

Annex VI. Building Resilience to Natural Disasters and Climate Change

A. Trinidad and Tobago Exposure to Climate change Risks

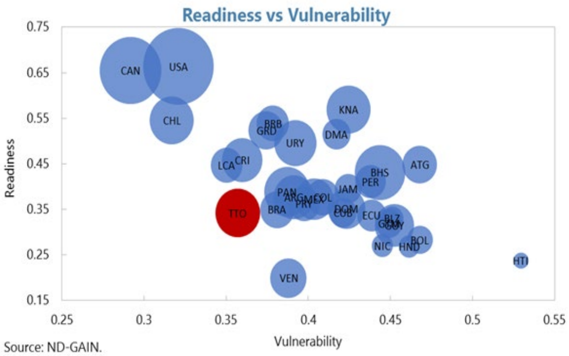
1. As a small island developing state, Trinidad and Tobago is vulnerable to numerous natural disasters.[1] These include temperature increases, changes in precipitation and sea-level rise, increased flooding, hillside erosion, earthquakes, tropical storms, droughts, and loss of coastal habitats. In recent years, the country has experienced several of these events, including severe flooding in 2017 and 2018 resulting from flash and riverine flooding after excessive rainfall. The 2018 flood was the worst in three decades and affected over 150,000 people in central Trinidad.



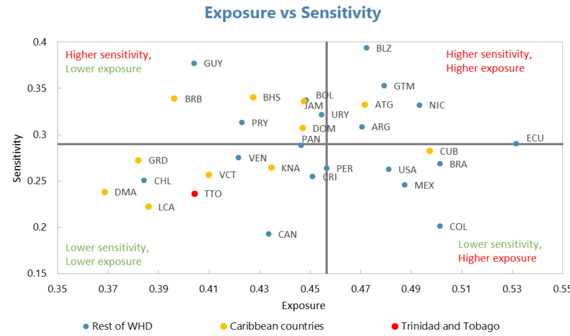
2. While the country is not in the main Atlantic hurricane belt, it is potentially exposed to hurricane risk. Between 1850 and 2018, seven tropical storms and two hurricanes have been recorded to have made landfall in Trinidad and Tobago. Also, between 1872 and 2004, 21 tropical storms and six hurricanes passed close by, and 27 hurricanes within 100 km. Category 5 hurricanes with windspeeds over 252 km/h, coming within 500 km of the country, have an average return period of once every 100 years.

3. The natural disaster and climate change risks can negatively affect both supply and demand sides. On the supply side, natural disasters destroy physical capital (such as houses, bridges, or streets) and disrupt labor and supply chains. On the demand side, natural disasters damage household and corporate balance sheets, reduce consumption and investment, and disrupt tourism. These negative shocks can lead to lower growth and employment, interruption in capital accumulation, and slower poverty reduction. Further, post-disaster spending increases public debt and can threaten fiscal sustainability and financial stability. With that in mind, compared to its peers in the region, Trinidad and Tobago is relatively more ready and less vulnerable to climate change.

[1] Several studies found evidence of recent changes in the climate in Trinidad and Tobago. The Trinidad and Tobago Meteorological Service (TTMS) found that the annual mean air temperature has warmed over 1981–2010 by 0.8 and 0.5 °C relative to 1961–1990 and 1971–1990 respectively. That anomalous warming per decade is consistent with the Intergovernmental Panel on Climate Change (IPCC) (2007) for the Caribbean region.



Source: ND-GAIN.
Note: Bubble sizes indicate current GDP per-capita in US dollars.



Source: ND-GAIN.

Note:

- Vulnerability: Measures a country's exposure, sensitivity, and capacity to adapt to the negative effects of climate change; considers six life-supporting sectors–food, water, health, ecosystem service, human habitat, and infrastructure.
- Readiness: Measures a country's ability to leverage investments and convert them to adaptation actions; considers three components– economic readiness, governance readiness and social readiness.

Note:

- Exposure: Degree to which a system is exposed to significant climate change from a biophysical perspective. It is a component of vulnerability independent of socio-economic context.
- Sensitivity: Extent to which a country is dependent upon a sector negatively affected by climate hazard, or the proportion of the population particularly susceptible to a climate change hazard.

4. **The economic impact from natural disasters has been so far manageable.** While the total impacts from disaster events are not thoroughly recorded, the estimated damage of the top three events recorded by EM-DAT was about US$29.7 million (the 1997 earthquake: US$25 million, the 2004 tropical cyclone: US$1 million, and the 2018 flash flood: US$3.7 million).

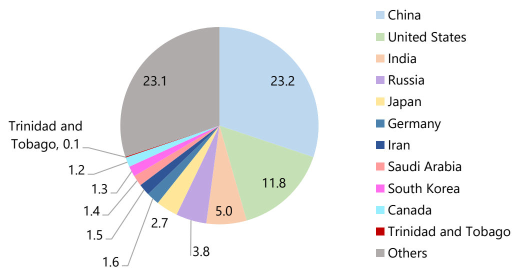
5. **However, the increases in frequency and intensity of tropical storms could escalate the potential damages to infrastructure from flooding and erosion in the next decades.** Investing in resilient infrastructure will be essential to withstand natural disasters in the future. Despite large upfront costs, the benefits of investment in resilience and adaptation are significant in the long run. The IDB (2014) shows, for example, that the benefits of implementing a national building code in Trinidad and Tobago would surpass its cost by 15 times. These kinds of investments would not only safeguard lives, but also public finances, as it can reduce the necessity of government interventions in the event of a natural disaster.

B. Building Resilience to Natural Disasters and Climate Change

6. **Although Trinidad and Tobago's total contributions to global total greenhouse gas emissions (GHG) are small, it has one of the highest GHG emissions per capita.** The country emits less than 0.1 percent of global GHG emission. However, the country ranks third globally in emissions per capita, with 12.8 tons of CO_2 per capita emitted as of end-September 2021 despite the authorities' efforts to bring down per capita emission. The country's economy is heavily dependent on natural resources, oil and gas, and the energy sector including the petrochemicals

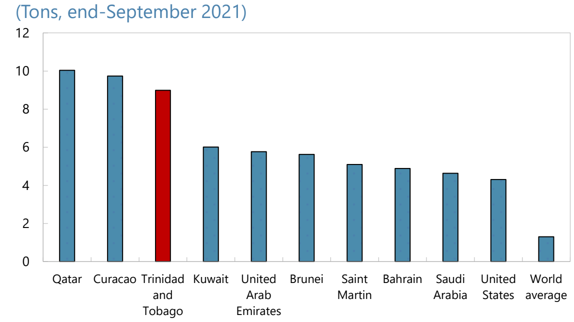
industry remains the most polluting, amounting to more than thirty percent of total domestic emissions. Other industrial operations and the power industry follow.

2021 Greenhouse Gas Emissions By Country
(Percent of global emissions, end-September 2021)



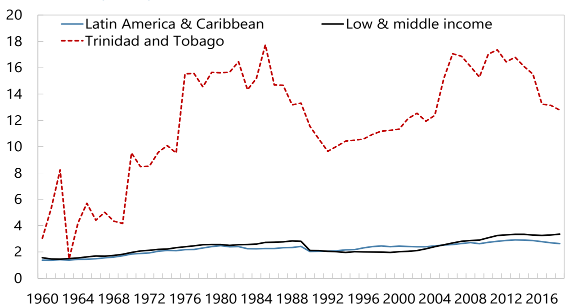
Source: Greenhouse Gas Emissions Data.

2021 Greenhouse Gas Emissions per capita
(Tons, end-September 2021)



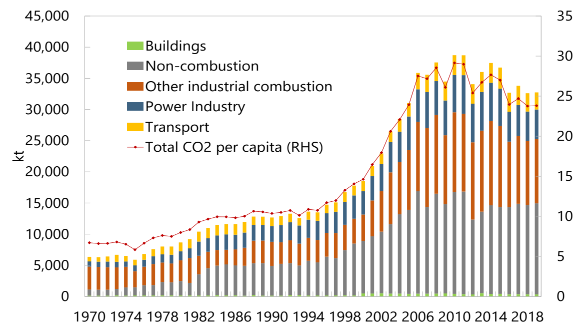
Source: Greenhouse Gas Emissions Data.

CO2 Emissions
(Metric tons per capita)



Source: World Development Indicators Database.

CO2 Emissions by Sector



Source: The Emissions Database for Global Atmospheric Research (EDGAR).

7. **The authorities have put in place several policies and initiatives to address environmental challenges facing the country.** The country is committed to its target under Paris agreement, which was ratified in 2018, to lower its GHG by 15 percent and its national objectives of reduction of 30 percent by 2030 relative to a 2013 baseline. To this end, the country has begun to put in place a policy and legislative framework to implement the National Climate Change Policy (NCCP) and included in its National Development Strategy 2016-2030. Additionally, policy measures for forest, land use and natural resources management are underway, resulting in greater mitigation of greenhouse gases. Furthermore, the Energy Chamber of Trinidad and Tobago is developing a feasible carbon trading scheme that will also reduce emissions in the industrial sector.

8. **The estimated cost of achieving this objective is high.** The authorities estimate that the total costs to meet its reduction target by 2030 is about US$2 billion (9 percent of GDP), which is expected to be met partly through domestic source, including the country's Green Fund, and conditional on international climate financing.

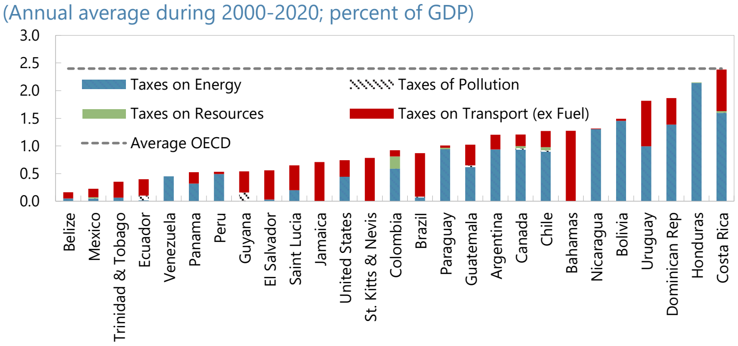
9. **Developing the renewable energy sector will further enhance the country's climate mitigation efforts.** Trinidad and Tobago already produce all its electricity from natural gas and aims to achieve greater efficiency through combined cycle generation at all its power plants.

Therefore, this sector would be at the edge of low carbon emissions, with renewable energy being the next stage for reducing emissions even further. To achieve sustainable development, the government needs to identify and built the optimal energy mix with the lowest greenhouse gas emissions. Moreover, the transition to a greener economy could imposes a risk to the fiscal stance from the revenues side, as more than 30 percent of total revenues comes from the energy sector. Hence such adjustment requires careful planning and integration between different government bodies.

10. The FY2022 budget includes several green measures to promote a green economy. The government announced it will liberalize fuel price by January 2022. Custom duties, motor vehicle tax and VAT on the importation of battery-powered electric vehicles are suspended for two years. Moreover, fiscal incentives to firms engaging in carbon capture and storage and enhanced oil recovery will be enacted by January 2022.

Environmental Taxes Revenue

(Annual average during 2000-2020; percent of GDP)



Sources IMF, Government Finance Statistics; IMF, Statistics Department.

11. There is a need to find the right balance to sustainable development and fiscal sustainability. Given the economy's dependency on fossil fuel exports and fiscal revenues from the energy sector, timing to implement structural changes will be vital to reduce commodity dependency. If the country waits for too long to start making substantive investments in technology and human capital development, it could lose the window of opportunity to establish comparative advantages in low-carbon sectors. At the same time, allocating resources into sectors that will not be productive in the short-term could put fiscal sustainability at risk. Thus, it will be essential to strike a balance between moving toward a greener economy and avoiding economic disruptions caused by an abrupt transformation.

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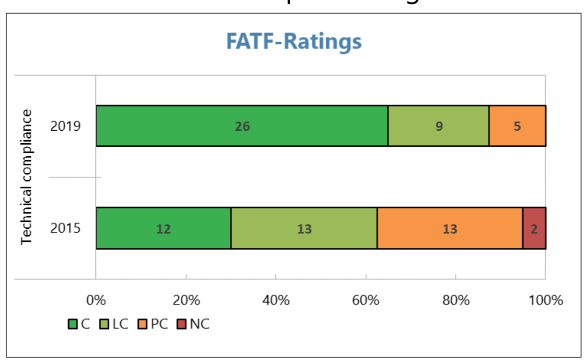
Annex VII. Financial Integrity and Tax Transparency

Since 2015, Trinidad and Tobago's authorities have implemented reforms to strengthen financial integrity and enhance tax compliance and information exchange. Decisive actions and an overhaul of the anti-money laundering and combating terrorism financing (AML/CFT) framework helped the country leave the Financial Action Task Force (FATF)'s grey list in February 2020. The government is committed to sustaining the effectiveness of its AML/CFT regime and improving it further. With the objective of resolving identified deficiencies related to the tax regime they have passed the Gambling Control and the Revenue Authority Bills and moved forward to implement the property tax reform and update the free trade zones regime. However, to comply with the OECD and the EU additional actions are required.

A. Financial Integrity and AML/CFT Framework

1. **Trinidad and Tobago's authorities are aligning its financial sector, AML/CFT, and tax transparency framework to international standards.** During the last several years, the government enacted and implemented about two dozen pieces of legislation to ensure transparency in the land, cash, and business transactions and to fight corruption, fraud, and crime. These changes allowed the government to substantially complete its FATF action plan and significantly improve its AML/CFT regime.

2. **In February 2020, Trinidad and Tobago left the FATF's grey list of jurisdictions with increased money laundering (ML) and Financing Terrorism (FT) risks.** In comparison with the 2015 mutual evaluation report (MER),[1] the country improved its AML/CFT legal framework and the effectiveness of its regime. In particular, the authorities: (1) enhanced international cooperation; (2) addressed measures for transparency and beneficial ownership (BO), including the creation of the BO information registry; (3) completed the legislative efforts to enhance the processing of ML charges before the courts; (4) took measures to enhance tracing and confiscation of criminal assets; (5) enforced FT measures and adopted measures to strengthen elements of the framework for non-profit organizations (NPOs); (6) enacted amendments related to targeted financial sanctions; and (7) developed, adopted, and implemented the necessary framework to counter proliferation financing.



[1] In January 2015, Trinidad and Tobago was the 1st member of the Caribbean Financial Action Task Force (CFATF) to undergo the FATF 4th Round Mutual Evaluation peer-review process. The report (published in June 2016) highlighted deficiencies in the national AML/CFT framework. As a result, in November 2017, the FATF placed Trinidad and Tobago on the grey list of jurisdictions under increased monitoring.

3. Sustained implementation of the AML/CFT reforms in Trinidad and Tobago is crucial. The country will continue: i) to get more legal entities to register BO information and impose sanctions for providing false information or failure to provide the information; ii) finalize all necessary amendments to the NPO Act; and iii) strengthen the CBTT's staff resources and practices for risk-based AML/CFT supervision and impose AML/CFT-related sanctions. Also, the authorities help to enhance the AML/CFT framework in the region via participation in the FATF/CFATF assessment and monitoring of action plans by its regional peers in the grey list; and hosting regional workshops.

B. Tax Transparency and International Tax Cooperation

4. The authorities have taken actions to improve tax transparency and information exchange. They already introduced the Tax Information Exchange Agreements, and the Gambling Control acts; and are progressing to reform the Free Trade Zones, introduce a property tax, and create the revenue authority. Actions on this front include the following steps:

- On March 5, 2020, Trinidad and Tobago passed the Tax Information Exchange Agreements Act,[2] which allows the implementation of agreements between Trinidad and Tobago and other States to exchange of information for tax purposes.

- In June 2021, and after six years of extensive consultations and debates *the Gambling (Gaming and Betting) Control Bill*[3] was enacted. The bill creates the Gambling (Gaming and Betting) Control Commission, which will establish a licensing regime, formulate and implement policies and codes of practice, control the conduct of gaming and betting, and address the harmful effects of gambling. The bill seeks to prevent gambling from being a source of, associated with, or used to support crime; and protect minors and other vulnerable persons from being harmed or exploited by gambling.

- The authorities have started *the valuation of properties for the future roll-out of the property tax*. The valuations started in 2021 and are scheduled to be completed in 2022: Q1.

- The authorities obtained parliament approval of the *TT Special Economic Zones (SEZ) Bill* in January 2022. The legislation aims to establish a new SEZ regime, which would help create only targeted incentives and strengthen governance and transparency in managing these incentives and the entities that benefit from them.

- On December 17, 2021, the government has passed *the Revenue Authority Bill.*

[2] http://news.gov.tt/sites/default/files/E-Gazette/Gazette%202020/Acts/Act%20No.%205%20of%202020%20%20The%20Tax%20Information%20Exchange%20Agreements%20%20Act.pdf

[3] The Bill will come into operation on a date fixed by the President by Proclamation.

5. Challenges remain to comply with the international tax standards set by the OECD, G20, and the European Union (EU). The steps required by Trinidad and Tobago to adapt its legal framework and practices to the international tax standards include:

- Compliance with the OECD Global Forum standards on Exchange of Information on Request (EOIR) and the Automatic Exchange of Financial Account Information (AEOI).[4] In 2022, Trinidad and Tobago will undergo its Phase 2 peer review of its compliance with the EOIR standard, which will look at the legal framework and its effectiveness in practice, focusing on the availability of beneficial ownership information. Also, in 2022 the OECD Global Forum will publish the results of its effectiveness peer review of the AEOI standard for 100 jurisdictions, including Trinidad and Tobago. The country needs to establish a domestic legislative framework requiring Reporting Financial Institutions to conduct the due diligence and reporting procedures (CR1) and an international legal framework to exchange the information with all Interested Appropriate Partners (CR2).

- Compliance with the *OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS).*[5] Passing the relevant domestic and international legal bases to commence Country-by-Country (CbC) reporting on multinationals' foreign structures and activities and removal of the harmful tax regimes as determined by the Forum on Harmful Tax Practices is critical to ensure the implementation of the minimum standards arising out of the BEPS Action Plan.

- Joining and signing a *convention on Mutual Administrative Assistance in Tax Matters.*[6]

Trinidad and Tobago is one of nine jurisdictions in *the EU blacklist of non-cooperative jurisdictions for tax purposes*[7]. To exit the list, the country needs to rank as at least "largely compliant" by the OECD Global Forum on the EOIR and AEOI standards, and to sign and ratify the OECD Multilateral Convention on Mutual Administrative Assistance. Exiting the list could also help to comply with the German Tax Haven Defense Law of 2021, which precludes German companies from having business with the jurisdictions in the EU blacklist.

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[4] See https://www.oecd-ilibrary.org/taxation/peer-review-of-the-automatic-exchange-of-financial-account-information-2021_29f01d2c-en

[5] Only four other jurisdictions (Anguilla, Dominica, Niue, Sint Maarten) do not comply with the BEPS framework.

[6] See https://www.oecd.org/ctp/exchange-of-tax-information/Status_of_convention.pdf

[7] The other non-cooperative jurisdictions include American Samoa, Fiji, Guam, Palau, Panama, Samoa, US Virgin Islands, and Vanuatu. See https://www.consilium.europa.eu/media/52208/st12519-en21.pdf

INTERNATIONAL MONETARY FUND

TRINIDAD AND TOBAGO

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

January 21, 2022

Prepared By | The Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of December 31, 2021)

Membership Status: Joined: September 16, 1963; Article VIII

I. General Resources Account:	**SDR Million**	**% Quota**
Quota	469.80	100.00
IMF's Holdings of Currency (Holdings Rate)	345.58	73.56
Reserve Tranche Position	124.22	26.44

II. SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	771.42	100.00
Holdings	771.43	100.00

III. Outstanding Purchases and Loans: None

IV. Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Apr 20, 1990	Mar 31, 1991	85.00	85.00
Stand-By	Jan 13, 1989	Feb 28, 1990	99.00	99.00

V. Overdue Obligations and Projected Payments to Fund[1/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2022	2023	2024	2025	2026
Principal					
Charges/Interest	0.01	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01	0.01

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not applicable

Implementation of Multilateral Debt Relief Initiative: Not applicable

Implementation of Catastrophe Containment and Relief (CCR): Not applicable

Exchange Arrangements

Trinidad and Tobago has accepted the obligations of Article VIII, Sections 2, 3, and 4. Trinidad and Tobago's *de jure* exchange rate arrangement is floating. Its *de facto* exchange rate arrangement is stabilized arrangement.

Trinidad and Tobago maintains an exchange restriction and two multiple currency practices subject to the Fund's approval under Article VIII, Section 2(a) and Section 3. The exchange restriction arises from the authorities' restriction of the exchange rate (i.e., by restricting the maximum market buy and sell rates, and prohibiting foreign exchange (FX) transactions beyond the maximum rates), while not providing enough FX (i.e., through the CBTT 's FX interventions) to meet all demand for current transactions at that rate. The CBTT also limits sales of its FX intervention funds to meeting only "trade-related" demand, which do not include non-trade transactions that are, however, current international transactions as defined under Article XXX(d) of the IMF's Articles of Agreement and encourages authorized dealers to similarly prioritize sales of FX obtained from other sources. Further, the authorities prioritize provision of FX to certain manufacturers and importers of necessities (foods and medicines) through special FX facilities within the EximBank. These actions result in undue delays in accessing FX to make payments or transfers for current international transactions and external payment arrears.

The two multiple currency practices arise from the absence of a mechanism to prevent the potential deviation of more than two percent at any given time among several effective exchange rates regulated by the authorities, for spot exchange transactions; namely:

- The potential two percent deviation between: (i) on the one hand, the CBTT's intervention rate and the authorized dealers' sell rates (the maximum of which is anchored on the intervention rate plus fixed margins), and (ii) on the other hand, the authorized dealers' buy rates (the maximum of which is limited at the previous day's mid-rate).
- The potential two percent deviation between: (i) on the one hand, the buy and sell rates for FX transactions between the CBTT and the government, and (ii) on the other hand, the authorized dealers' sell rates.

Last Article IV Consultation

The 2018 Article IV Consultation was concluded by the Executive Board, on a lapse-of-time basis, on August 31, 2018, Trinidad and Tobago is on the 12-month consultation cycle (IMF Country Report No. 18/285). A staff visit took place during January 15–21, 2020.

Financial Sector Assessment Program (FSAP) Participation

The 2020 joint IMF–World Bank FSAP missions were held during November 5–19, 2019 and January 21–February 4, 2020. The Financial System Stability Assessment (FSSA) was presented to the Executive Board for discussion, on a lapse-of-time basis, on August 31, 2020 (IMF Country Report No. 20/291).

Technical Assistance		
Department	**Dates**	**Purpose**
CARTAC	September 13–29, 2021	Strengthening of RBS Framework for on-Site and off-Site Reviews
CARTAC	July 19–30, 2021	Provide Support to Treasury Function IPSAS Compliance and Reporting
CARTAC	June 7–July 21, 2021	Development and Implementation of a Risk-Based Capital Adequacy Framework for TTSEC Registrants.
CARTAC	April 26–May 7, 2021	Improving the Estimates of GDP
CARTAC	May 5–12, August 2–24, 2021	Capital (Leverage Rations)
CARTAC	November 14–27, 2018	Developing a Medium-Term Fiscal Framework
FAD	July 2019	Revenue Administration Gap Analysis Program-the VAT GAP
FAD	October 7–18, 2019	Building Effective Tax Administration Functions
CARTAC	July 19–20, 2018	Digital Currencies and Central Banks' Regulatory Response
STA	May–June 2018	National Accounts
FAD	April–May 2018	Fiscal Transparency Evaluation
STA	May 2018	Price Statistics
CARTAC	April 2018	Macro Fiscal Framework
STA	March, 2018	External Sector Statistics
MCM	February 2018	Transitioning Mutual Funds
MCM	October 2017	Credit Unions Regulation
CARTAC	October 2017	Central Fiscal Oversight and Analysis of Public Corporation Risks
FAD	September 2017	Tax Administration Diagnostic Assessment Tool
STA	Monday, May 1, 2017	National Accounts Statistics
STA	Wednesday, March 1, 2017	Price Statistics
FAD	September 2016 and June 2017	New Directions in Fiscal Regimes for Oil and Gas
FAD	November 2016	Strengthening Institutional Arrangements and Core Operations
FAD	June 2016	Establishing a Tax Policy Unit
STA	October 2016	External Sector Statistics
STA	May 2016	National Accounts Statistics

Technical Assistance (continued)		
Department	**Dates**	**Purpose**
STA	March 2016	External Sector Statistics
STA	January 2016	National Accounts Statistics, Price Statistics
MCM	August 2015	Monetary Policy Framework
MCM	April 2016	Macroprudential Policy Framework
STA	March 2015	External Sector Statistics
FAD	March 2015	Revenue Administration
STA	May 2015	Financial Sector Statistics/FSI Compilation
MCM-LEG	March 2014	National Financial Crisis Contingency Plan
FAD	July 2013	Tax Administration
FAD	January 2013	Tax Policy
MCM	October 2012	Non-life Insurance Regulation
STA	June 2012	Monetary and Financial Statistics
STA	April 2012	Consumer and Price Statistics
STA	March 2012	Monetary and Balance of Payments Statistics
STA	February 2012	Consumer and Producer Price Statistics
MCM	June 201, September 2010, March 2011, and June 2011	Insurance Supervision
MCM	December 2010 and April 2011	Public Debt Management, Funding and Medium-term Debt Management Strategies

RELATIONS WITH DEVELOPMENT BANK OF LATIN AMERICA (CAF)

(As of December 6, 2021)

Trinidad and Tobago's Country Strategy covered the period 2016–20 and focuses on four pillars: (i) modernization of the state, (ii) social infrastructure, (iii) transformation of tourism and agriculture, and (iv) education. In particular, the first pillar aims at helping the authorities to reform public enterprises, including the Water and Sewerage Authority (WASA) and enhance digitalization of payments of taxes, the inland revenues and customs, and other aspects of digitalization of services to citizens. The second pillar focuses on improving the country's infrastructure, including road, air and seaports developments. Under the third pillar, CAF will also provide technical assistance to support the authorities' efforts to develop a masterplan for the tourism and agriculture sectors. Finally, increasing the availability of technical and vocational education, improving online education, and enhancing school's Spanish curriculum are part of the efforts being made within the realm of the education pillar. Under the 2016–20 Strategy, a portfolio of US$1,049 million has been approved, with the latest disbursements amounting to US$301 million in 2020.

https://www.caf.com/en/countries/trinidad-and-tobago/

RELATIONS WITH OTHER FINANCIAL INSITUTIONS

A. The World Bank Group

https://www.worldbank.org/en/country/trinidadandtobago

B. Inter-American Development Bank (IDB)

https://www.iadb.org/en/countries/trinidad-and-tobago/overview

STATISTICAL ISSUES

(As of December 2021)

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance. However, some weaknesses remain in both coverage and timeliness, partly reflecting capacity constraints. The authorities are committed to improving data provision, through the establishment of an independent National Statistics Institute (NSI), which will replace the Central Statistical Office (CSO).
National Accounts Statistics: The CSO has made noticeable improvements in the timeliness of data provision since 2015. The GDP estimates have been improved and rebased from 2000 to 2012. Revised real and nominal production—side GDP estimates have been compiled from 2012 to 2017. The CSO is also working on updating the estimates for 2000 to 2011 at broad industry level. The last current price expenditure-side GDP data is for 2017 but constant prices remain for 2008. The CSO developed and released quarterly production-side GDP estimates at current and constant (2012) prices. The publication of the CSO quarterly labor force bulletin is delayed further, with the latest observation for 2020: Q2.
Price Statistics: The compilation methodology to estimate the Retail Price Index (RPI), implemented in mid-2016, corrects a significant upward bias, primarily in the food component. In addition, the RPI basket has been rebased to January 2015, with new weights drawn from the 2008–09 household budgetary survey. The CSO has recompiled and published the RPI for January 2015 to April 2018. The CSO received CARTAC TA in 2018 to develop the Price Index (PPI) and the Domestic Production Index (DPI). The TA also provided guidance to the authorities in planning for household budget survey to rebase the CPI.
Government Finance Statistics: The Ministry of Finance (MoF) compiles fiscal data using a national classification system for government transactions and debt of the central government. The compilation follows the Government Finance Statistics Manual (GFSM) 1986. However, the government accounts for one-off sources (such as asset sales and super-dividends) as revenues, whereas these should be accounted for as financing sources according to GFSM 2014. Data on public enterprises and statutory bodies are compiled and published once a year. There are limited data on debt outside of the central government. The authorities report annual GFS data to STA, though with a lag. The last annual data reported was for fiscal year FY2014, which was reported in November 2017. Data is limited to central government revenues, expenditures, financing and COFOG data, no debt or other balance sheet data is reported.

Monetary and Financial Statistics: The monthly monetary accounts currently cover the CBTT and other depository corporations (ODCs), that is, commercial banks and nonbank financial institutions (finance houses, merchant banks, trusts, and mortgage companies). No data are reported by income funds, which act like money market funds and should be included as part of the ODCs sector. Since mutual funds are not regulated by the CBTT, an agreement with the Securities and Exchange Commission of Trinidad and Tobago is needed to obtain their data on a regular basis. Following a TA mission in May 2014, the CBTT has become a quarterly reporter of balance sheet data for the other financial corporations (OFCs) sector, covering insurance corporations, pension funds, the Heritage and Stabilization Fund (HSF), the Agricultural Development Bank (ADB), and the Mortgage Finance Company (TTMF). The CBTT needs to expand the coverage of the OFC sector to include the National Insurance Board (NIB), the Unit Trust Corporation (UTC), the Home Mortgage Bank (HMB), and the credit unions. Since mid-2013, the CBTT reports monetary data to STA using the SRFs.	
External Sector statistics: The CBTT is responsible for the compilation and dissemination of balance of payments (BoP) statistics. Quarterly and annual BoP data are disseminated by the CBTT in its national publications, although with some lag. Generally, compilation of BoP statistics is heavily based on administrative records and survey data from entities with cross-border transactions. The CBTT has enhanced the quality of trade in goods data for the BoP with contribution from direct reports from energy companies. Recent TA mission has recommended focusing on improving the quality of trade in customs' non-energy goods data. Despite continued substantial progress, in the recording and scope of repatriated profits under the income account, errors and omissions are still large. Additional TA is scheduled for 2022 to address the remaining issues, with specific emphasis on repatriated earnings under capital outflows of the financial account. The CBTT prepares quarterly external debt statistics (QEDS) following the 2013 External Debt Statistics: Guide for Compilers and Users, which are published on the World Bank's website since July 2018.	
II. Data Standards and Quality	
In October 2021, Trinidad and Tobago fully implemented the IMF e-GDDS framework, an important data transparency initiative, by launching a National Summary Data Page (NSDP). The NSDP is a national "data portal" that serves as a one-stop publication vehicle for publishing essential macroeconomic data aligned with data category in the Table of Common Indicators Required for Surveillance, according to pre-announced release calendar.	The data Report on the Observance of Standards and Codes (ROSC) was published in February 2006.

Table of Common Indicators Required for Surveillance (As of December 6, 2021)					
	Date of latest observation	**Date received**	**Frequency of Data[7]**	**Frequency of Reporting[7]**	**Frequency of publication[7]**
Exchange Rates	Dec 2021	Dec 2021	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sept 2021	Dec 2021	M	M	M
Reserve/Base Money	Aug 2021	Nov 2021	M	M	M
Broad Money	Aug 2021	Nov 2021	M	M	M
Central Bank Balance Sheet	Aug 2021	Nov 2021	M	M	M
Consolidated Balance Sheet of the Banking System	Aug 2021	Nov 2021	M	M	M
Interest Rates[2]	Sept 2021	Nov 2021	M	M	M
Consumer Price Index	Sept 2021	Dec 2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	Sept 2021	Oct 2021	Q	I	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Oct 2021	Oct 2021	Q	I	Q
External Current Account Balance	2020: Q2	Dec 2021	Q	Q	Q
Exports and Imports of Goods and Services	2020: Q2	Dec 2021	Q	Q	Q
GDP/GNP	2021: Q1	Sept 2021	Q	Q	Q
Gross External Debt	Sept 2021	Nov 2021	M	M	M
International Investment Position[6]	2020: Q2	Dec 2020	Q	Q	Q

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents. Only from 2011 onwards.
[7] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

Statement by Mr. Bevilaqua, Mr. Fuentes, and Ms. Mahabir on Trinidad and Tobago

February 9, 2022

behalf of our Trinidad and Tobago authorities, we thank staff for the comprehensive report and the productive engagement during the Article IV consultation. Our authorities welcome the opportunity provided by this policy dialogue and value staff's assessment and recommendations.

Mitigating the shock and preparing for the recovery

Prior to the start of the pandemic, Trinidad and Tobago had begun to show signs of recovery after several years of underwhelming performance. The impact of the pandemic was coupled with a sharp decline in international energy prices. Given the preeminence of energy production in the Trinidad and Tobago economy, the low energy prices translated into several petrochemical plants being temporarily mothballed. In response to the crisis, the authorities provided targeted fiscal support of about 4 percent of GDP and ample liquidity to the banking system to preserve financial stability. Yet, rigorous containment measures severely impacted mobility, non-essential businesses, and high-contact service sectors, particularly tourism. The extent of the impact of the pandemic on employment remains inconclusive as the publication of labor market statistics has been delayed. However, alternative indicators imply that a significant portion of the retail sector closed their doors permanently, and the number of contributions paid to the national insurance board experienced a sharp drop.

The surge in international energy prices is helping the economy to gradually regain its footing. The country has been able to benefit from the rising oil and gas prices, despite important bottlenecks in domestic production. In that regard, the exploration and potential production from the seventeen offshore deep-water blocks should help maintain energy production levels into the medium-term. In addition, there are plans for other bid rounds covering onshore and shallow water blocks. Under these circumstances, real GDP growth is expected to reach 5.5 percent in 2022, stronger that initially projected, partially offsetting the combined economic contraction occurred in 2020-21.

Despite the recent spike in COVID cases, activity in the non-energy sector is also starting to pick up. As in many countries around the world, an aggressive wave of cases is impacting Trinidad and Tobago since late 2021, resulting in a higher number of infections and deaths than in preceding waves. The government, however, has so far refrained from reimposing quarantines and movement restrictions on the population. In the meantime, the gradual reopening of businesses in the non-energy sector is expected to provide an additional boost to economic activity. This trend is consistent with the most recent Monetary Policy Announcement made by the Central Bank of Trinidad and Tobago (CBTT), which noted that business credit rose by 1.3 percent (year-on-year) in October 2021—the first increase since August 2018.

Fiscal Policy

The authorities' decisive emergency response widened the fiscal deficit in 2020 and 2021. The government provided ample policy support to vulnerable households and SMEs to mitigate the widespread impact of the pandemic. In addition to the ongoing support to the health sector and the vaccine rollout, targeted policy measures will continue to deliver social assistance to avoid further scarring. To aid in the transparency of all pandemic-related expenditures, the authorities created a new sub-item in the Draft Estimated for Recurrency Expenditure for FY 2021. Going forward, as expenditures normalize and revenue gradually recovers due to improved economic activity and the implementation of mobilization measures, the fiscal deficit is projected to continue narrowing in FY 2022 and achieve a primary surplus by FY 2023.

The Heritage and Stabilization Fund (HSF) helped finance the emergency response to the health crisis. While the country has drawn heavily from the Development Bank of Latin America (CAF) for deficit financing, significant funding has also come from domestic sources, including the HSF. Notwithstanding the withdrawal of these resources, the HSF is currently valued at US$5.6 billion (26 percent of GDP), and the authorities remain committed to gradually rebuild buffers as the crisis subsides.

The authorities are working towards strengthening debt sustainability. They are in the process of implementing policies to bring public debt back to a downward trajectory. Regarding revenue mobilization, initiatives to establish a revenue authority, reintroduce the collection of property tax, liberalize the fuel market, and reform the tax and customs administration are under discussion. Also, the new Gambling Control Bill should contribute to increase fiscal revenue while improving transparency and compliance with international best practices. On the expenditure side, the authorities will continue to rationalize transfers and subsidies. They also recognized the importance of strengthening the fiscal framework and continue to make progress towards formulating medium-term fiscal projections in line with IMF TA recommendations.

Regarding national statistics, the authorities seek to achieve significant upgrades in availability and timeliness. They are engaged in the creation of the National Statistical Institute to transform the Central Statistical Offices (CSO) into a body with the autonomy and authority to coordinate national statistical systems in accordance with best international standards. In the interim, the CSO continues to work to make the available data more accessible to the public through its website. A key action to improve data accessibility has been the launch in 2021 of a national data summary page hosted by the CBTT.

Monetary policy, exchange rate and the financial sector

The CBTT has appropriately maintained an accommodative stance during the crisis. At the onset of the pandemic, the CBTT reduced its policy rate and the primary reserve requirement rate to stimulate the economy and inject liquidity into the banking system. To date, the CBTT's stance remains accommodative to support the emerging recovery. However, during the latter part of 2021, inflationary pressures, particularly those emanating from food prices, have greatly intensified. Unfortunately, this trend is expected to continue into 2022. Against this background, the CBTT's Monetary Policy Committee will carefully balance the need to support economic activity within the mandate to control inflation.

Despite the slowdown in energy sector receipts, the authorities have preserved a strong level of international reserves and a stable exchange rate. Typically, Trinidad and Tobago exhibits a current account surplus driven by energy exports, which directly impacts reserve accumulation and foreign exchange (FX) provision to the domestic market. Nonetheless, under the current circumstances, the CBTT is engaging in bi-monthly FX interventions to help stabilize the FX market amid the drop in energy exports. On average, such interventions represent around one-quarter of the total FX available from authorized dealers. However, the authorities expect higher FX supply from the energy sector as new energy projects become operational.

The financial system has shown resilience and remained stable during the crisis. Banks have maintained healthy capitalization levels, strong liquidity buffers, and adequate profitability. In dealing with the pandemic, the CBTT allowed commercial banks to engage in forbearance through the restructuring of loans via deferred payments or rate reductions. These actions helped to keep non-performing loan ratios low and maintain capital and profitability above acceptable thresholds. Overall, the financial sector remains well structured and stable. Given the interconnectedness of this sector with other countries in the region, the CBTT continues to collaborate with Caribbean partners in the supervision of selected entities.

AML/CFT

The Trinidad and Tobago authorities continue to work diligently to achieve tax cooperation and AML/CFT targets. In 2020, the country was removed from FATF's list of countries under monitoring but remains on the EU and Global Forum lists. In response, the authorities are implementing an action plan to introduce the necessary measures to be delisted. Following the recommendations from the Global Forum Secretariat, the Government is considering amendments to various pieces of legislation, including the Companies Act, Income Tax Act, Tax Information Exchange Agreement Act, and the Mutual Administrative Assistance in the Tax Matters Act.

Structural Reforms

The authorities are firmly committed to implement important reforms to diversify the economy and boost non-energy sector growth. In the Roadmap to Recovery, the Government plans to reset the post-pandemic growth model, expanding its base and making it more inclusive. With that objective in mind, the authorities have been undertaking several reforms to improve the business climate, including the use of technology to expedite business registration and issue Digital CARICOM Certificates of Origin (COOs) to exporters. Another initiative recently approved in Parliament was the transformation of Free Zones into Special Economic to attract new dynamic industries and foster economic diversification.

Bolstering fiscal sustainability and resilience are also priorities in reform efforts. Following the 2018 restructuring of the state-owned oil company, Petrotrin, the authorities are poised to continue with SOE reform by rationalizing transfers, particularly for those enterprises providing water and electricity. In addition, a comprehensive review of the oil and gas taxation regime is planned to ensure that the domestic hydrocarbon sector remains internationally competitive. Also, the authorities have reiterated their strong commitment to build a climate-resilient economy and upgrade critical infrastructure. As a signee of the Paris Agreement, Trinidad and Tobago is working towards reducing GHG emissions and increasing the renewable energy component of power generation. Moreover, legislative actions are underway to implement the National Climate Change Policy (NCCP) as part of the National Development Strategy 2016-2030.

Closing remarks

The authorities remain committed to support the recovery with prudent macroeconomic management and steadfast implementation of structural reforms. In addition, the resurgence of international energy prices, and its ripple effects in the rest of the economy, will bolster economic activity in Trinidad and Tobago. At the same time, the authorities recognize the high level of uncertainty in the global economy and the need to prioritize the protection of the vulnerable population in the near-term while strengthening fiscal sustainability and diversifying the economy.