

SPOTLIGHT  
ON TRINIDAD AND TOBAGO'S FINANCIAL CIRCUMSTANCES:  
**THE ROAD AHEAD**

Hosted by: **Dr. the Honourable Keith Rowley**  
*Prime Minister of the Republic of Trinidad and Tobago*

Members of the public are encouraged to view the forum live and participate  
via CNMG, <http://ctvtt.com/stream.htm>  
and C News Live.

**LIVE** from  
**Hyatt Regency Ballroom**  
Wednesday 27th September, 2017  
9:00 am - 3:00 pm

# Presented by:

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Permanent Secretary, Ministry of Finance -Mr. Vishnu Dhanpaul,  
Permanent Secretary in the Ministry of Finance - Mrs. Suzette Taylor-Lee Chee  
Advisor to the Hon. Minister - Mr. Ewart Williams  
Senior Manager , Operations, Central Bank of Trinidad and Tobago , Mr. Alister Noel

# Central Government's Fiscal Operations

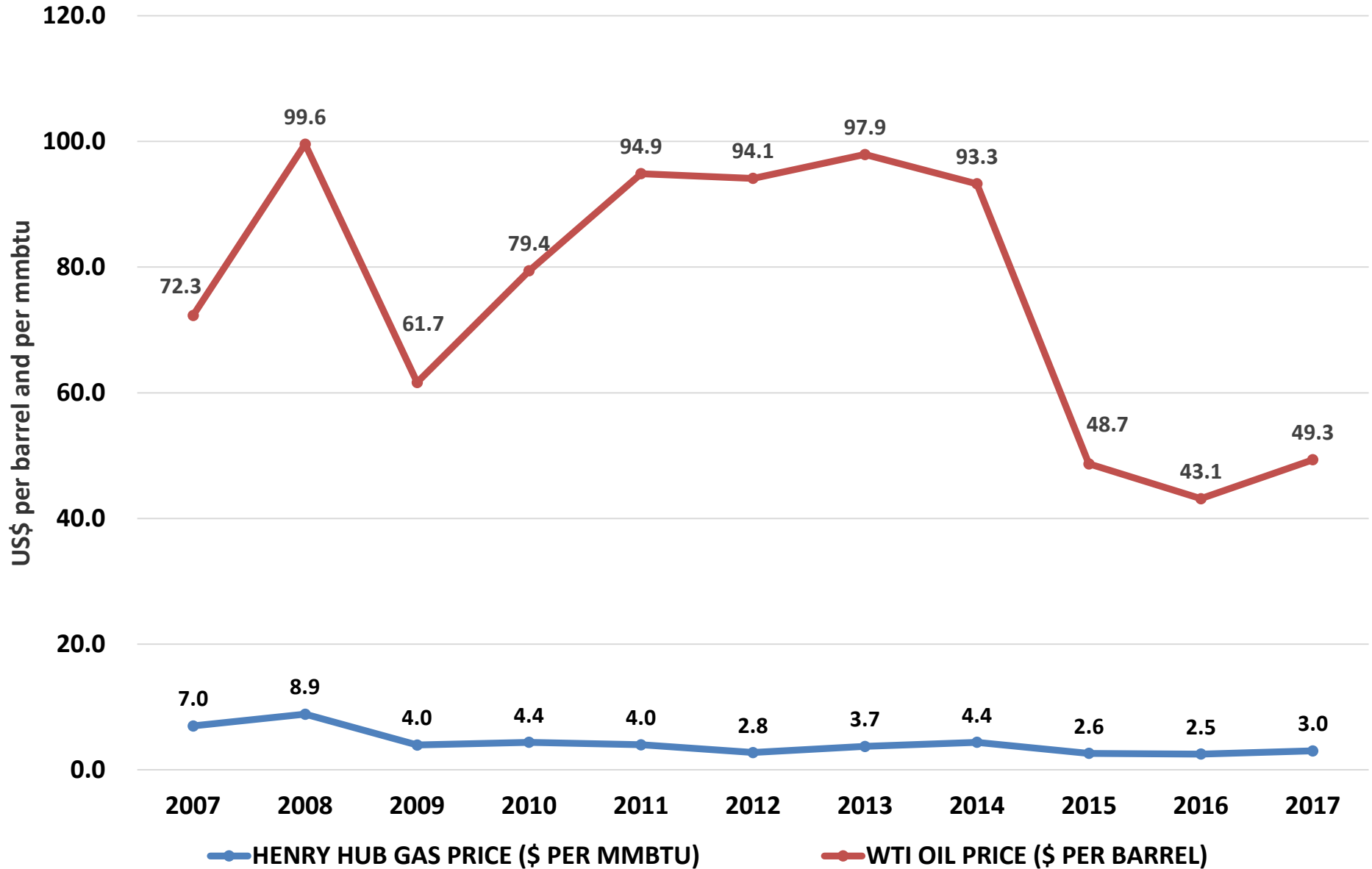
MINISTRY OF FINANCE  
REPUBLIC OF TRINIDAD AND TOBAGO

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SEPTEMBER 27<sup>TH</sup>, 2017

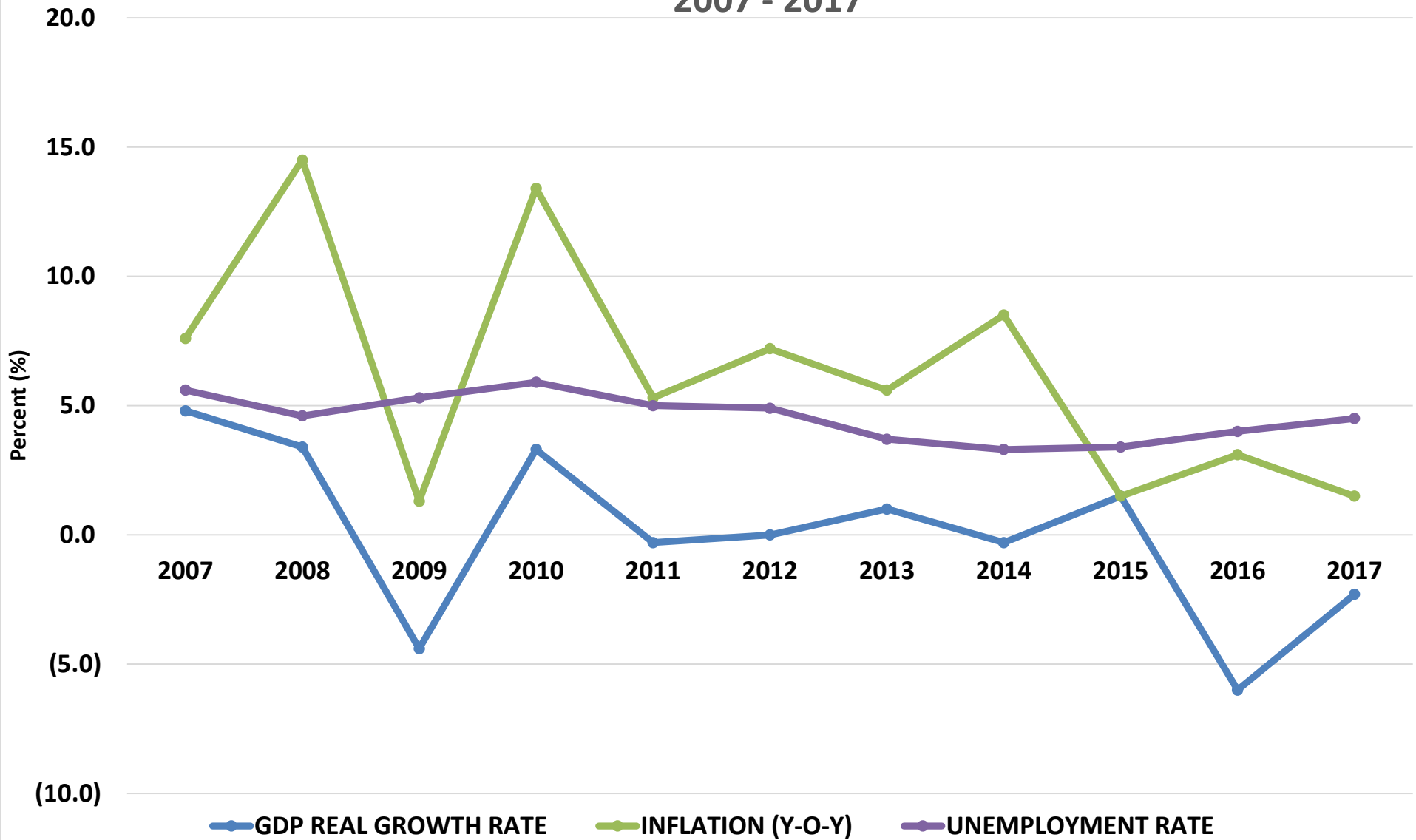
# Oil and Gas Prices

## 2007 – 2017 (Annual Average)

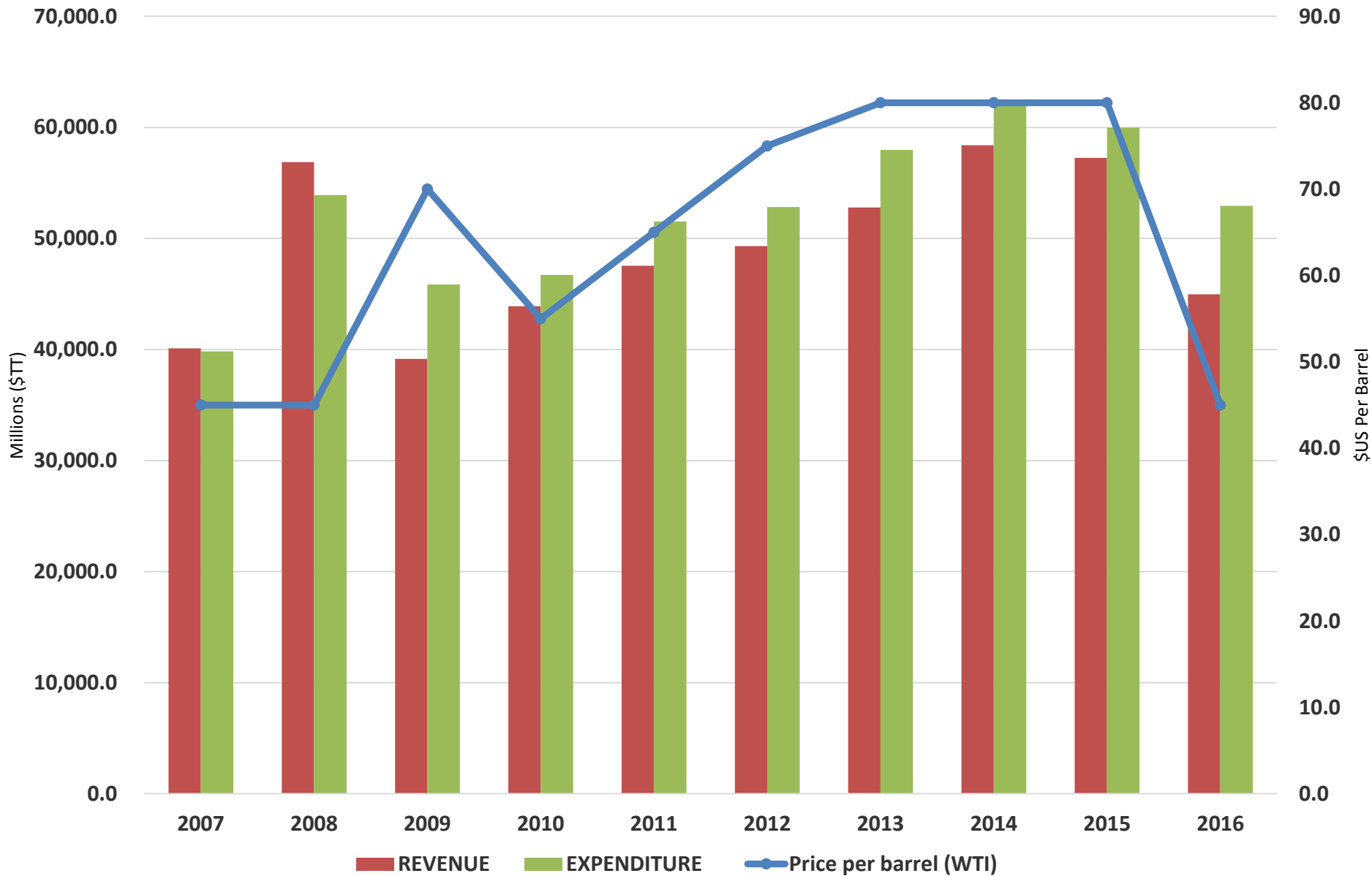


# GDP, Inflation and Unemployment

2007 - 2017

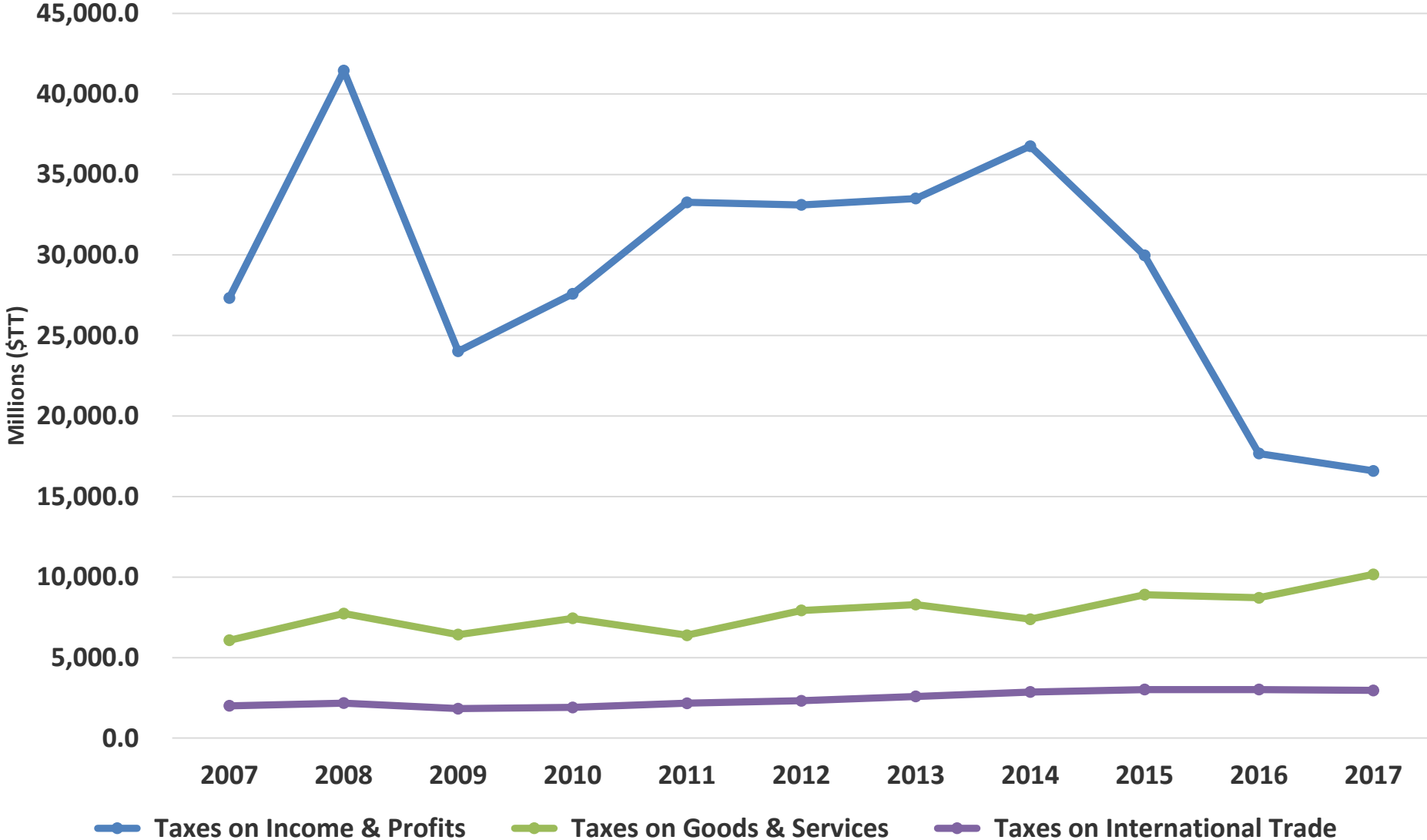


# Total Revenue & Total Expenditure & Oil Prices (2007 – 2016)



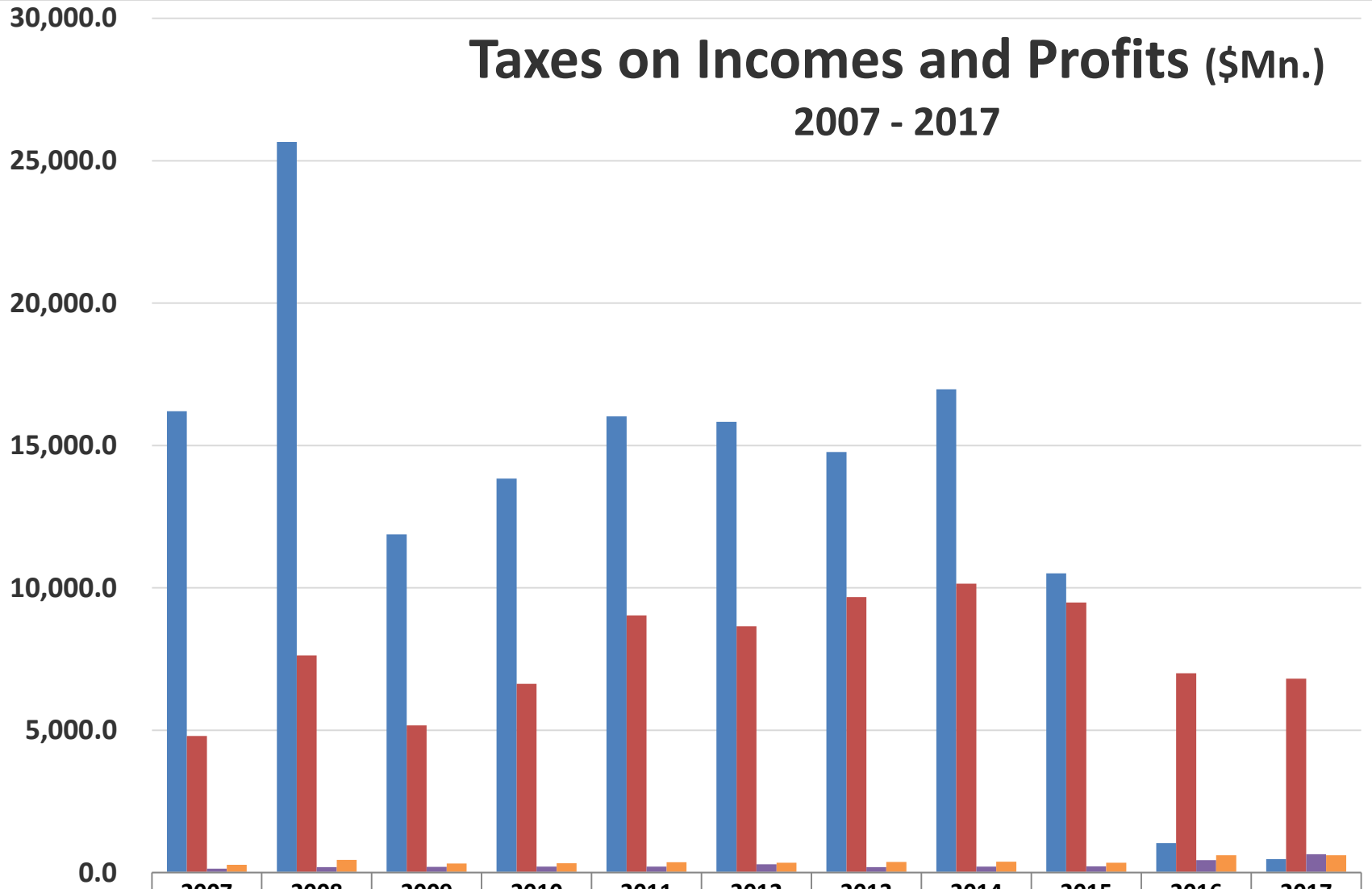
# Revenue from Taxation

2007 - 2017



# Taxes on Incomes and Profits (\$Mn.)

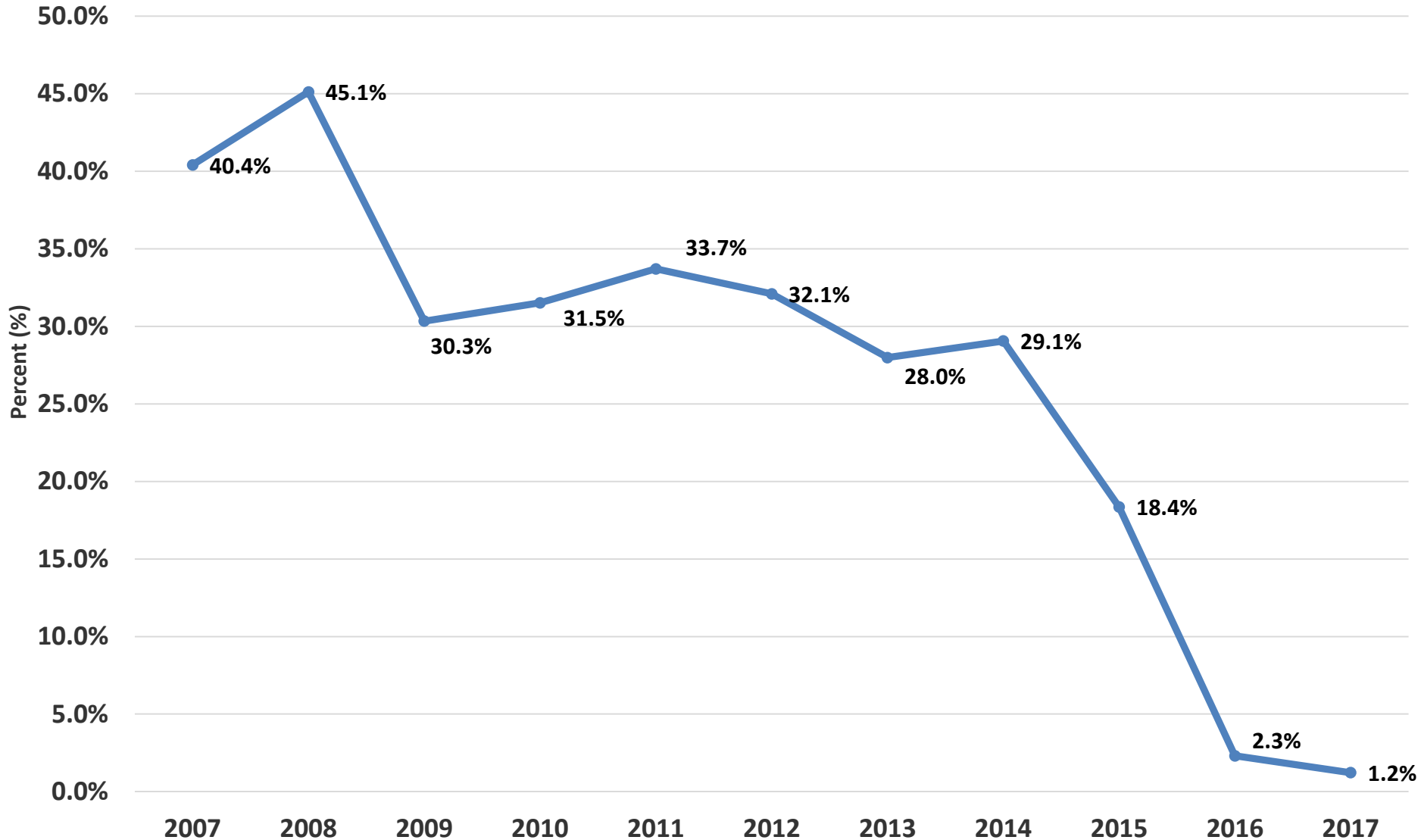
## 2007 - 2017



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Oil Companies	16,206.2	25,657.8	11,880.9	13,834.4	16,022.5	15,826.8	14,771.8	16,969.5	10,512.7	1,036.4	472.0
Other Companies	4,796.9	7,625.5	5,170.1	6,629.5	9,033.6	8,646.5	9,675.1	10,150.5	9,481.2	7,003.1	6,807.7
Business levy	138.2	189.0	198.8	205.4	208.9	293.6	186.6	210.2	215.0	438.2	643.5
Green Fund	276.2	447.1	313.5	325.1	365.7	346.5	369.7	381.4	345.8	611.7	612.0

# Oil Revenue as a share of Total Revenue (%)

## 2007 - 2017





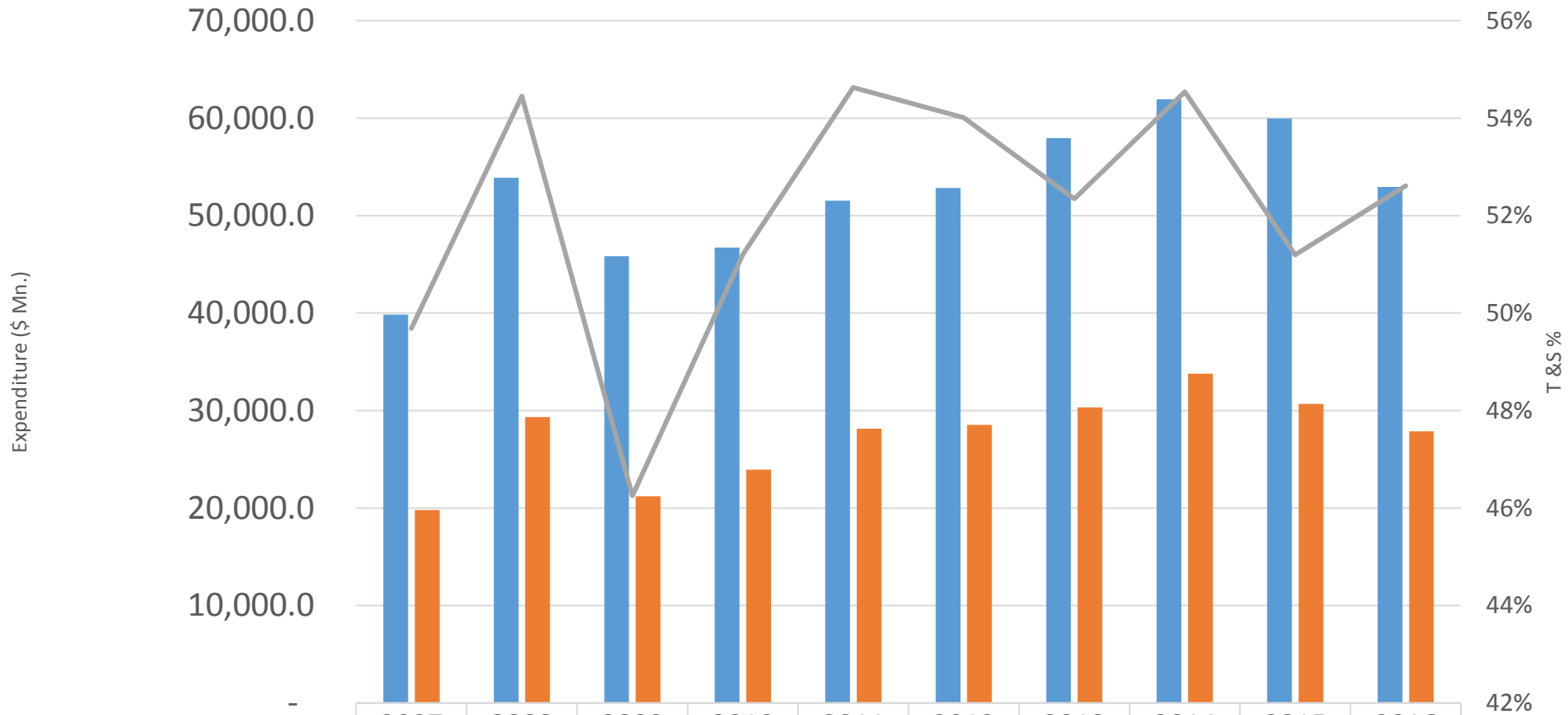
# Expenditure (\$Mn.)

## Heads of Expenditure

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Personnel Expenditure	6,221.3	6,946.9	6,620.3	6,711.0	7,179.7	7,282.3	9,171.5	8,590.9	10,077.1	9,601.9
Other Goods & Services	4,283.8	5,002.4	6,023.0	6,441.2	6,504.3	7,061.6	7,180.1	8,008.7	8,105.4	7,326.1
Interest Payments	2,698.1	2,967.3	3,499.9	3,290.3	2,866.4	2,937.1	2,808.7	3,122.6	3,438.4	3,762.4
Current Transfers & Subsidies	19,793.5	29,347.8	21,207.2	23,930.9	28,148.4	28,538.2	30,340.1	32,781.1	30,702.0	27,856.0
Capital Expenditure	7,801.3	9,632.4	8,502.1	6,357.7	6,828.9	7,019.7	8461.9	8435.4	7648.5	4398.3

# Transfers & Subsidies % of Total Expenditure

## 2007 - 2016



Expenditure	39,835	53,896	45,852	46,731	51,527	52,838	57,962	61,938	59,971	52,944
Transfers & Subsidies	19,793	29,347	21,207	23,930	28,148	28,538	30,340	33,781	30,702	27,856
%	50%	54%	46%	51%	55%	54%	52%	55%	51%	53%

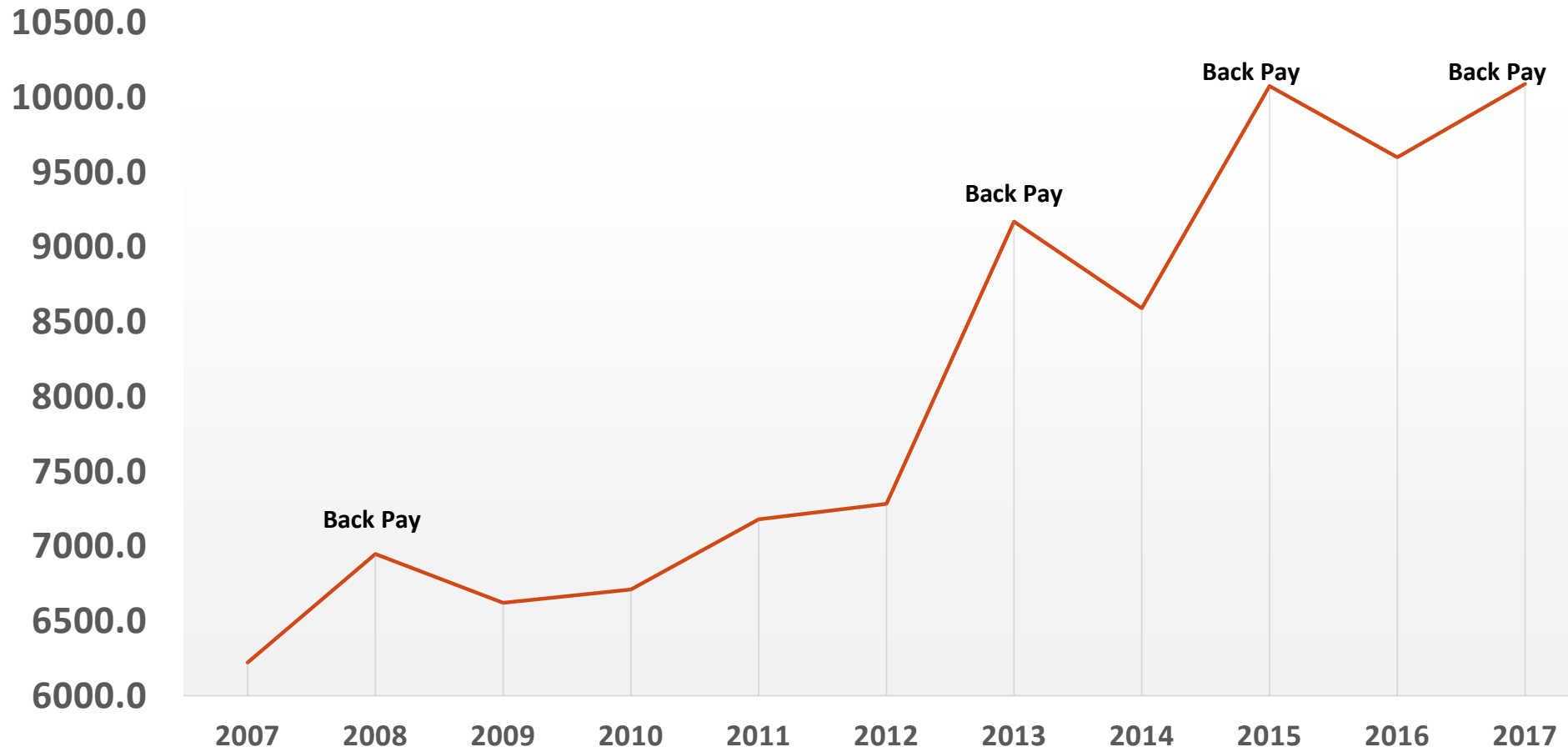
Expenditure Transfers & Subsidies %

# Transfers & Subsidies (\$ Mn.)

	2012	2013	2014	2015	2016	2017
<b>Transfers &amp; Subsidies</b>	<b>28,538.2</b>	<b>30,340.1</b>	<b>33,781.1</b>	<b>30,702.0</b>	<b>27,856.0</b>	<b>26,599.2</b>
<b>Transfers Current</b>	<b>22,241.2</b>	<b>22,951.8</b>	<b>26,573.2</b>	<b>22,881.1</b>	<b>20,283.4</b>	<b>19,492.9</b>
<i>Of which:</i> Educational Institutions	1,876.3	1,710.9	1,777.0	1,765.9	1,733.1	1,250.6
Households	8,668.8	11,706.5	14,095.0	12,668.9	10,169.8	9,284.2
State Enterprises	4,017.8	2,232.9	3,368.3	2,369.0	2,064.0	2,121.1
<b>Statutory Boards &amp; Similar Bodies</b>	<b>6,083.5</b>	<b>7,166.6</b>	<b>6,921.7</b>	<b>7,534.6</b>	<b>7,292.5</b>	<b>6,827.0</b>
<i>Of which:</i> THA	1,603.0	1,951.6	1,948.8	2,032.9	1,970.4	1,948.71
Local Gov't Bodies	1,211.5	1,670.4	1,735.3	1,865.7	1,660.6	1,639.4
<b>Public Utilities</b>	<b>2,228.9</b>	<b>2,536.4</b>	<b>2,218.2</b>	<b>2,478.9</b>	<b>2,613.8</b>	<b>2,299.8</b>
<i>Of which:</i> Port Authority	170.3	122.2	108.2	168.8	96.3	135.7
WASA	1,650.0	2,052.2	1,837.1	2,020.1	2,150.0	1,697.5
PTSC	257.3	362.0	272.9	290.0	367.5	310.5
T&TEC	416.0	402.2	391.5	381.1	370.6	376.3

# Personnel Expenditure (\$Mn.)

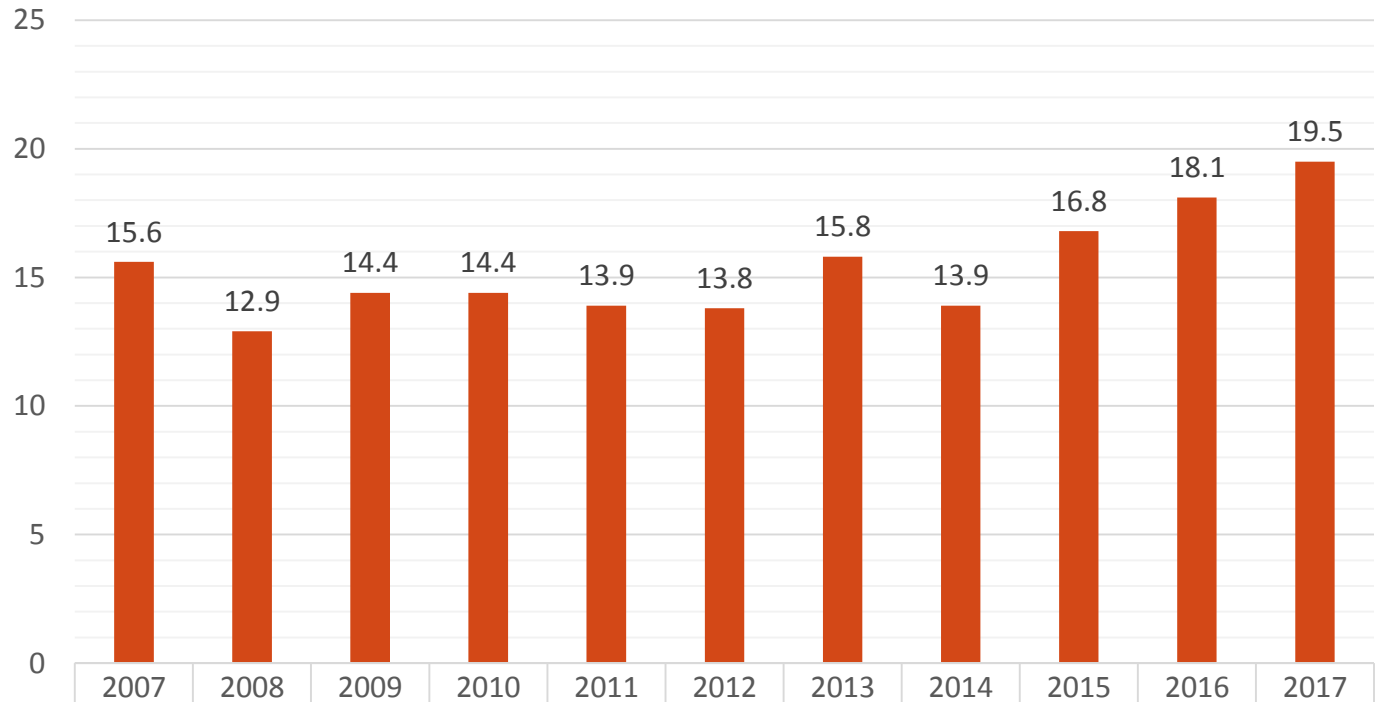
## 2007-2017



# Expenditure 2007-2017

Personnel Expenditure as a % of Total Expenditure

Personnel Expenditure

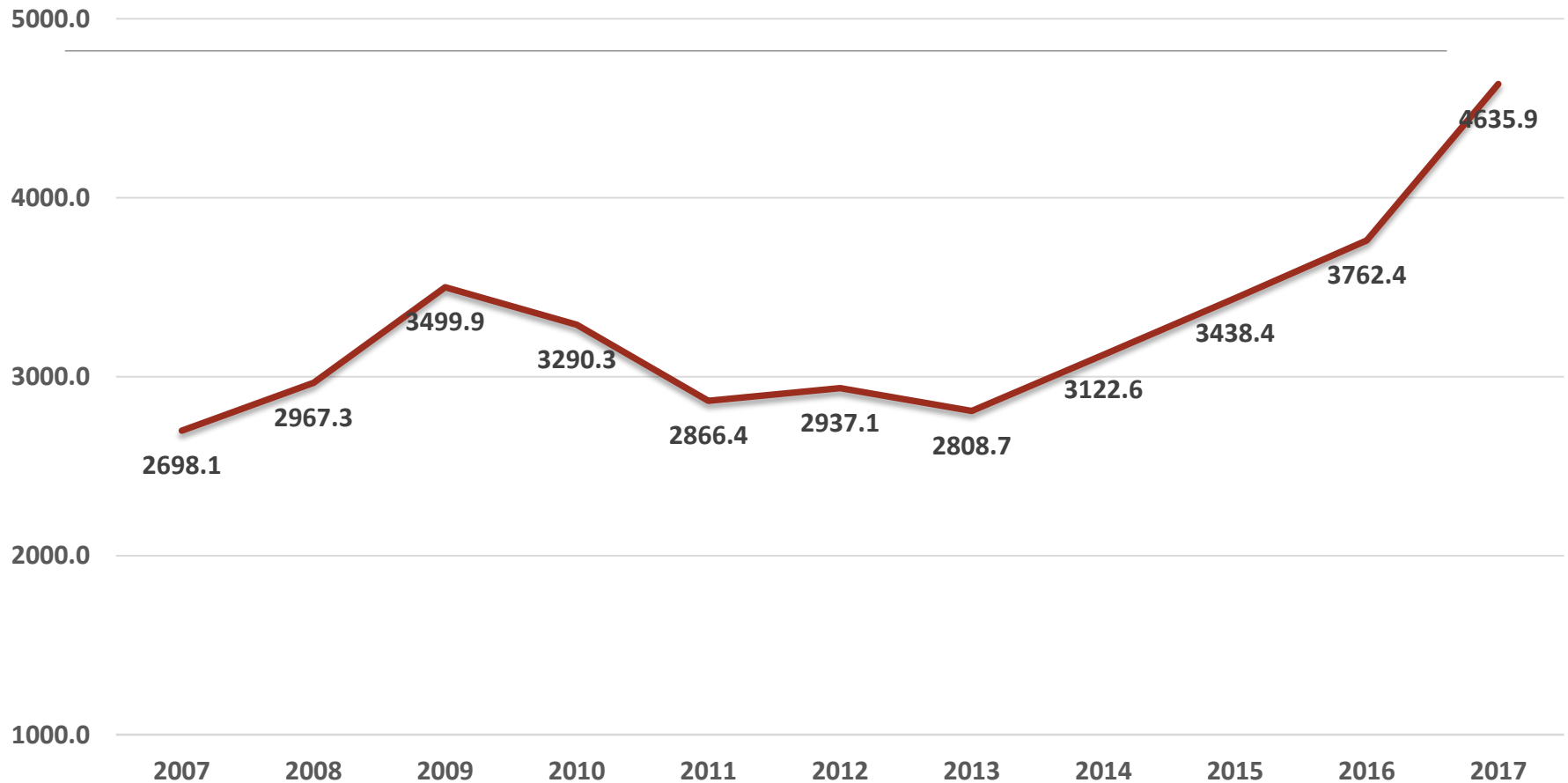


■ Personnel Expenditure

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Personnel Expenditure	15.6	12.9	14.4	14.4	13.9	13.8	15.8	13.9	16.8	18.1	19.5

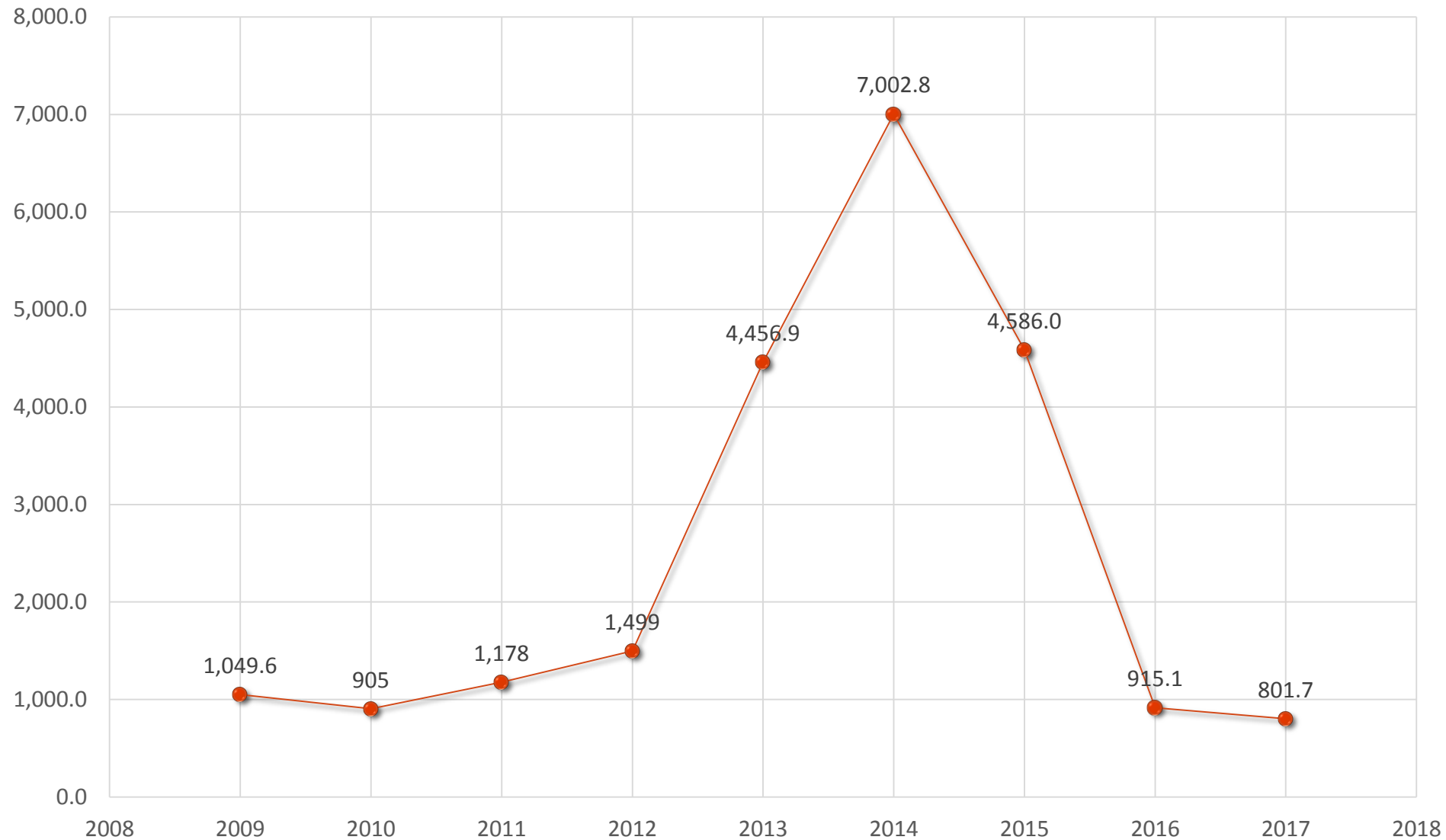
# Expenditure – Total Interest Payments (\$ Mn.)

2007 - 2017



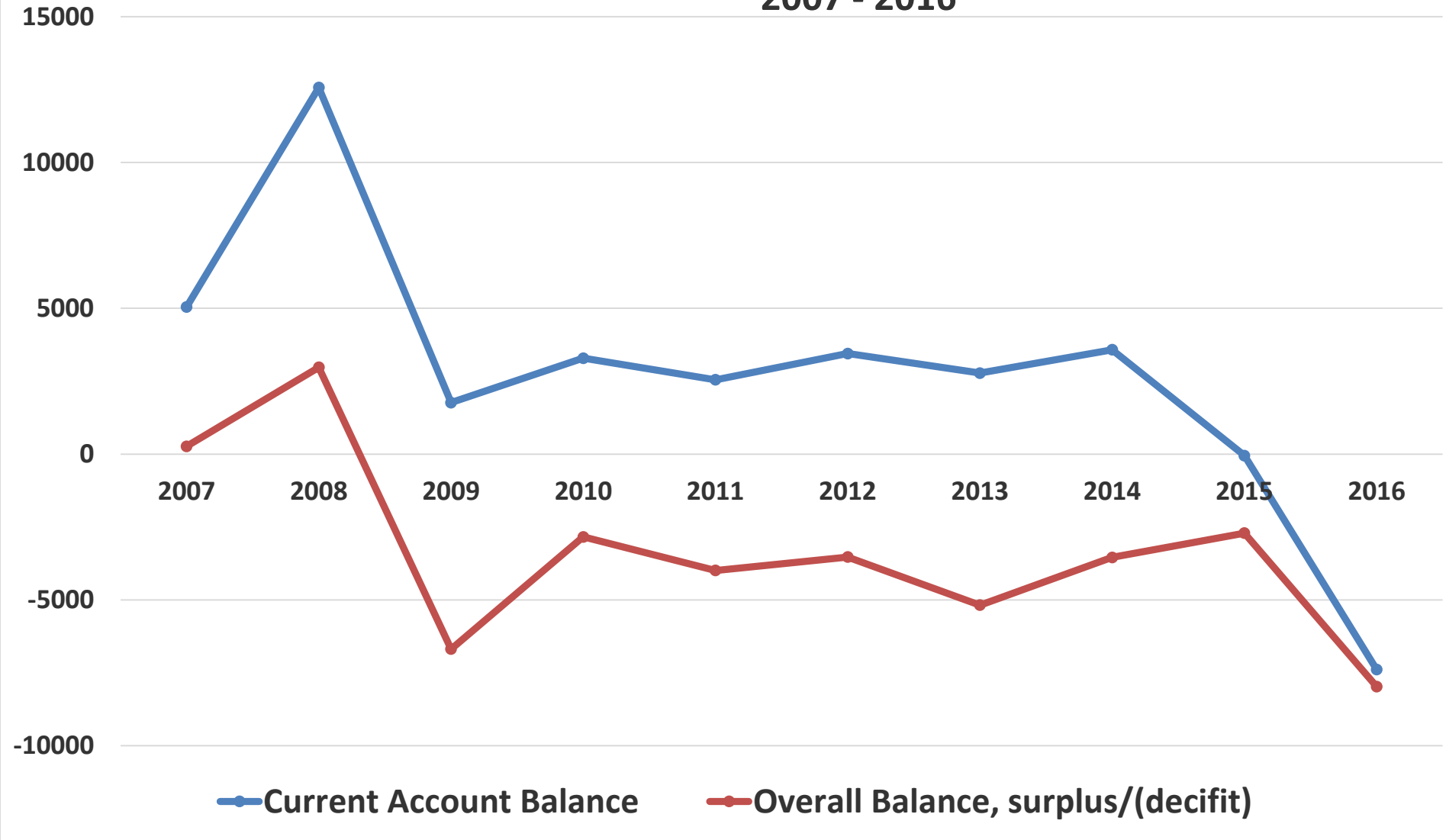
# Subsidy on Petroleum Products (\$Mn.)

## 2007 - 2017



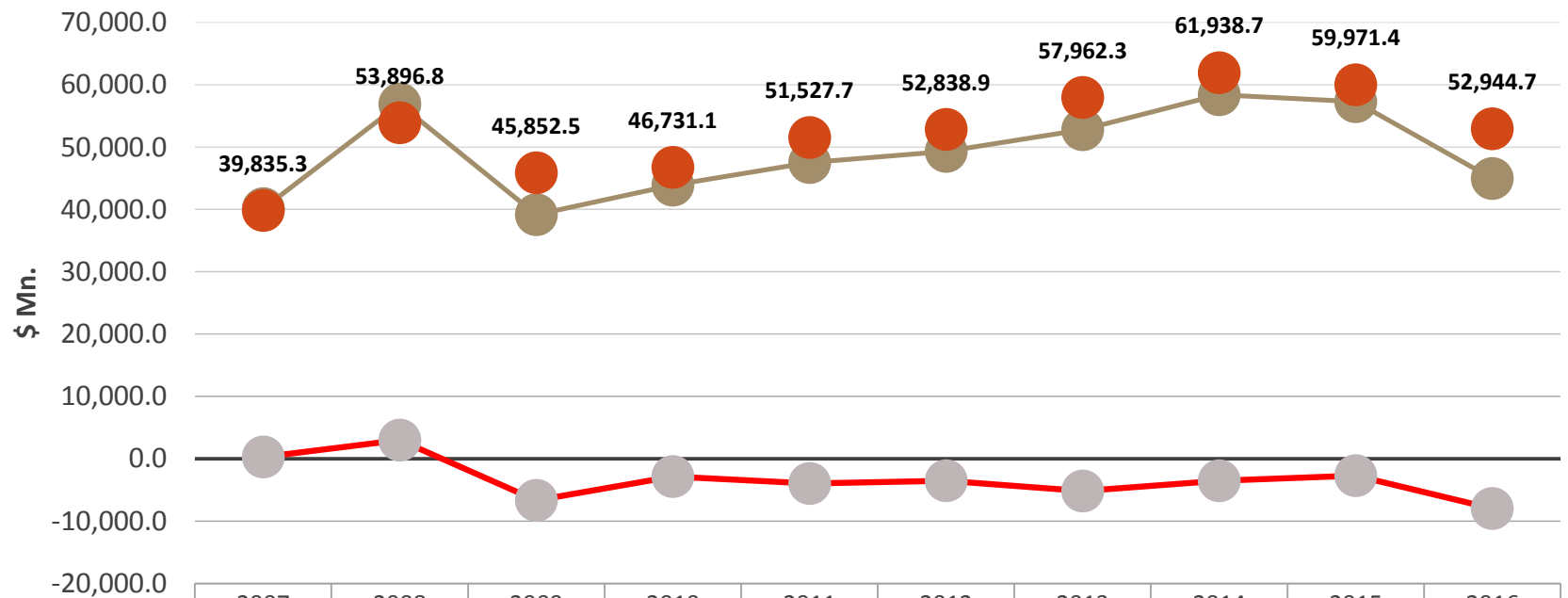
# Overall and Current Account Balance (\$ Mn.)

2007 - 2016



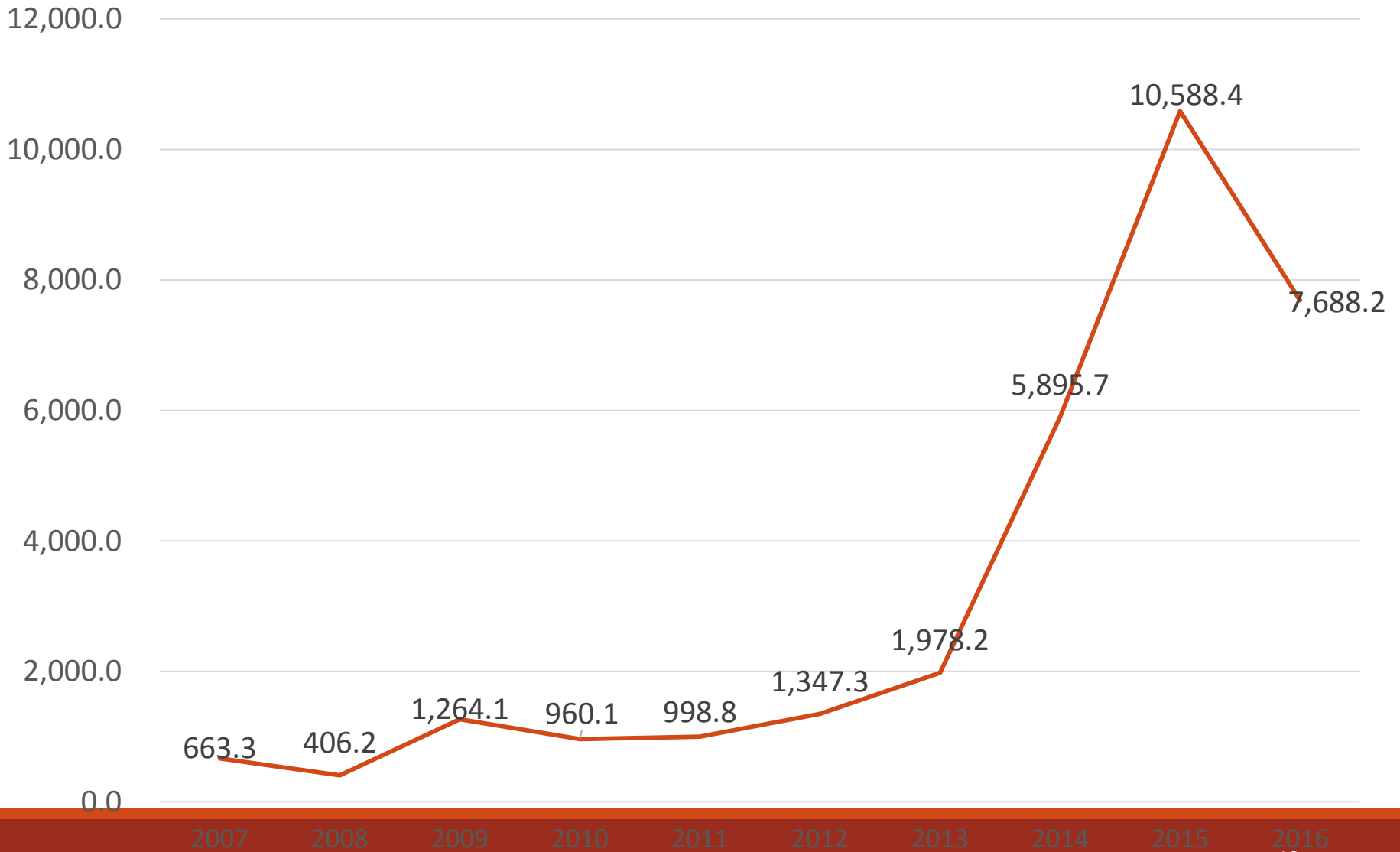


# Pattern of Expenditure, Revenue & Overall Balance 2007 – 2016



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
● Total Expenditure \$M	39,835.3	53,896.8	45,852.5	46,731.1	51,527.7	52,838.9	57,962.3	61,938.7	59,971.4	52,944.7
● Fiscal Deficit	268.3	2,974.5	-6,686.0	-2,838.5	-3,991.8	-3,529.0	-5,180.1	-3,541.7	-2,709.9	-7,972.1
● Total Revenue	40,103.6	56,871.3	39,166.5	43,892.6	47,535.9	49,309.9	52,782.2	58,397.0	57,261.5	44,972.6

## Profits from State Enterprises and Capital Revenue (\$Mn)



# Net Public Sector Debt

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Includes:

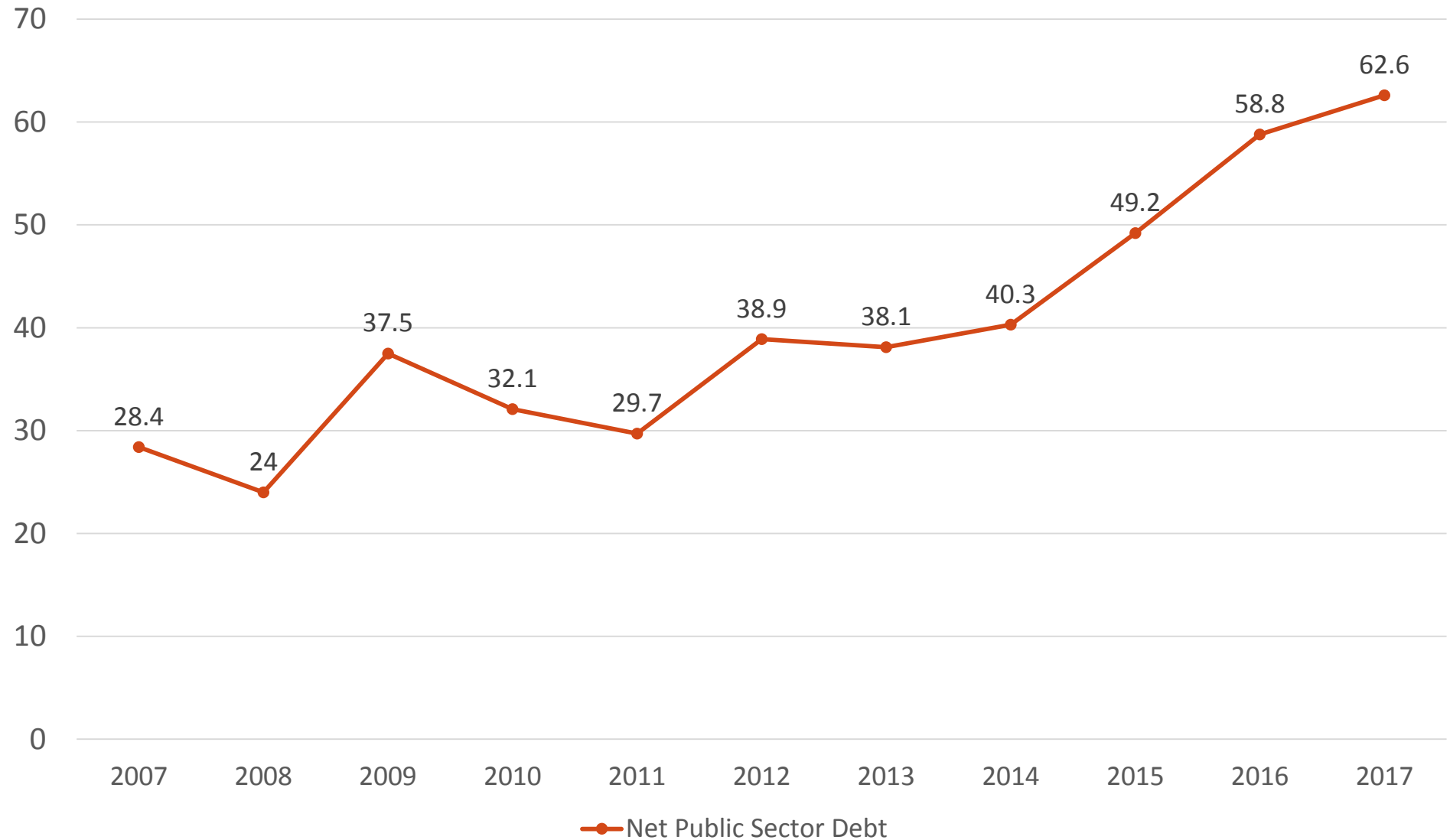
- (i) All Central Government Debt – Domestic & External
- (ii) All Government Guaranteed Debt of the State Enterprises
- (iii) All Government Guaranteed debt of the Statutory Authority

Does not include:

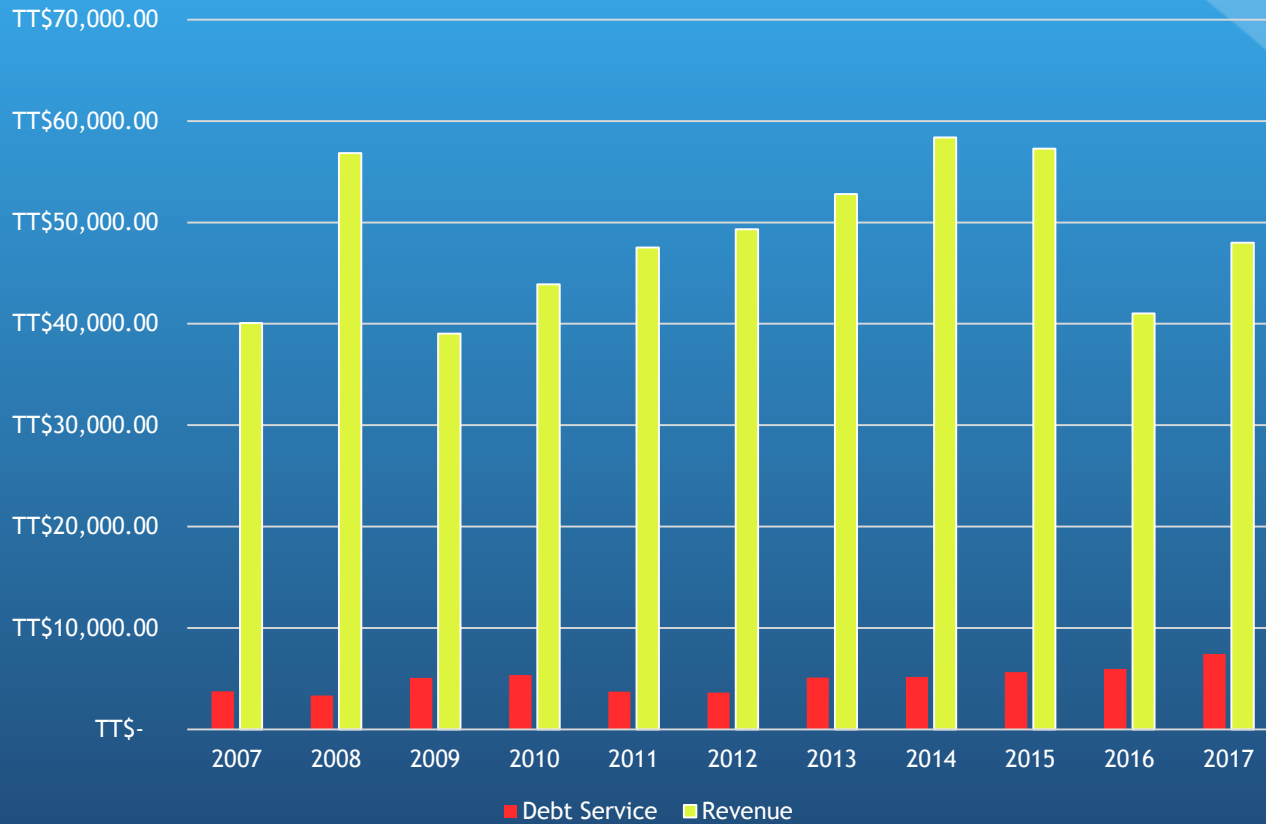
- (i) Treasury Bills, Treasury Bonds and Treasury Notes issued for Open Market Operations

# Net Public Sector Debt (% of GDP)

## 2007-2017



# Debt Service/Revenue (2007 -2017)



# Borrowing Limits

**Raised via Legal Notice 213 dated December 10<sup>th</sup> 2015**

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## **Development Loans Act**

Existing Limit	- \$45,000,000,000
Estimate Borrowings FY 2017	- \$39,041,836,647
Headroom	- \$5,958,163,353

## **External Loans Act**

Existing Limit	- \$30,000,000,000
Estimate Borrowings FY 2017	- \$18,882,279,474
Headroom	-\$11,117,720,526

## **Guarantee of Loans (Companies) Act**

Existing Limit	- \$45,000,000,000
Estimate Borrowings FY 2017	- \$18,960,190,286
Headroom	-\$ 26,039,809,714

# Heritage and Stabilization Fund

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- The HSF formalized through legislation in March 2007 was specifically designed to support fiscal policy at times of adverse swings in international oil and gas prices (the stabilization objective) and accumulate savings from the country's exhaustible assets of oil and gas for future generations (the heritage element).
- Over the 10 year period, the value of the Fund has increased by close to US\$4 billion, from US\$1.77 billion to US\$5.73 billion as at August 31, 2017. Over the period returns and capital gains yielded US\$ 2.1 billion.

# Heritage and Stabilization Fund

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- There were transfers to the Fund in six of the ten years under review. Interestingly enough, only in the first two years of the Fund, were the transfers made out of fiscal surpluses.
- Between 2010 and 2013 there were transfers to the Fund, even when the fiscal accounts were in deficit. While there was much merit in maintaining the savings habit, it meant in fact that we were borrowing to save – a situation that is not sustainable particularly at current public debt levels.



# Heritage and Stabilization Fund

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- There were two withdrawals from the Fund, in 2016 and 2017, amounting to US\$ 628 million. The withdrawals were less than the returns accumulated over the two year period as a result of which, there was a net increase in the Fund between September 2015 and August 2017.
- The review of the Fund that, according to the legislation, was earmarked to take place before March 2012 has been delayed. The plans now call for the review to be completed in early 2018.

# Heritage and Stabilization Fund

<b>Valuation Date</b>	<b>Net Asset Value</b>	<b>Contributions / (Withdrawals)</b>
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September 30,2007	1,766,200,701	321,706,043
September 30,2008	2,888,421,556	1,054,174,457
September 30,2009	2,964,686,478	-
September 30,2010	3,621,984,041	477,344,263
September 30,2011	4,084,016,158	451,400,519
September 30,2012	4,712,376,278	207,550,846
September 30,2013	5,154,027,747	42,414,251
September 30,2014	5,533,425,248	-
September 30,2015	5,655,143,565	-
September 30,2016	5,584,246,290	(375,050,860)
August 31, 2017	5,731,398,767	(252,548,047)

# Sovereign Ratings

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- Ratings play a critical role in determining the interest rate that sovereign governments and other entities pay on their issued debt.
- Bonds that are rated investment grade pay lower interest rates than the others, which are called high-yield or junk bonds.
- Trinidad and Tobago is unique in that it has what is called a twin rating; it is rated as investment grade by Standard and Poor's (BBB+) and in the high-yield category by Moody's (Ba1). Both agencies rate the outlook as stable meaning that the risk is moderate at worst, because we have ample fiscal buffers, including the HSF.

# Sovereign Ratings

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- Moody's cite the main drivers for the downgrade as An insufficient policy response to offsetting the impact of declining energy revenues, a steady rise in public debt ratios and declining production from maturing oil and gas fields.
- Moody's has indicated that stronger fiscal consolidation leading to a significant reduction of the fiscal deficit in 2018-19 would be an important pre-condition for an improvement in its present rating.

## Trinidad and Tobago Credit Rating History by Standard and Poor's Ratings Services: 2008 - 2017

Year	Outlook	Foreign currency
		Long term
Apr 2017	Stable	BBB+
Apr 2016	Negative	A-
Dec 2015	Negative	A
Dec 2014	Stable	A
Jan 2013	Stable	A
Jan 2012	Stable	A
Aug 2011	Stable	A
Jan 2011	Stable	A
Dec 2009	Stable	A
April 2009	Negative	A
Aug 2008	Stable	A

## Trinidad and Tobago Credit Rating History by Moody's Investors Service: 2007 - 2017

Year	Outlook	Government Bond Ratings
		Foreign Currency
		Long term
Apr 2017	Stable	Ba1
Apr 2016	Negative	Baa3
Apr 2015	Negative	Baa2
Jan 2014	Stable	Baa1
Jan 2013	Stable	Baa1
Aug 2012	Stable	Baa1
July 2011	Stable	Baa1
Jun 2009	Stable	Baa1
Dec 2008	Stable	Baa1
Oct 2007	Stable	Baa1

# The Balance of Payments, Foreign Reserves and the Foreign Exchange Market in Trinidad and Tobago

**Presented by:**

**Central Bank of Trinidad and Tobago**

# The Balance of Payments shows the financial relationship between Trinidad and Tobago and the Rest of the World...

US\$Mn	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Current Account</b>	<b>5,167</b>	<b>8,499</b>	<b>1,633</b>	<b>4,172</b>	<b>4,267</b>	<b>3,374</b>	<b>5,419</b>	<b>3,999</b>	<b>957</b>	<b>-2,598</b>
of which:										
Exports*	13,215	18,647	9,221	11,239	17,041	16,325	17,593	14,965	11,114	8,214
<i>Energy</i>	11,434	16,482	7,885	9,315	14,695	13,190	14,036	12,492	8,751	6,407
<i>Non-energy</i>	1,781	2,165	1,337	1,924	2,346	3,135	3,557	2,473	2,363	1,807
Imports*	7,687	9,577	6,980	6,504	9,162	9,885	9,996	8,558	8,602	9,422
<i>Energy</i>	3,156	4,116	2,846	2,664	3,982	3,830	4,509	2,868	2,428	3,508
<i>Non-energy</i>	4,530	5,461	4,135	3,839	5,180	6,055	5,488	5,691	6,173	5,914
Services	546	610	382	488	-734	-853	-644	-653	-1,085	-1,185
<b>Financial Account</b>	<b>3,626</b>	<b>5,794</b>	<b>2,345</b>	<b>3,754</b>	<b>3,466</b>	<b>3,986</b>	<b>4,614</b>	<b>2,678</b>	<b>2,521</b>	<b>-2,130</b>
of which:										
Direct Investment	-830	-2,101	-709	-549	13	2,080	1,197	-689	-205	-153
<b>Overall Balance</b>	<b>1,541</b>	<b>2,706</b>	<b>-713</b>	<b>418</b>	<b>802</b>	<b>-612</b>	<b>805</b>	<b>1,321</b>	<b>-1,564</b>	<b>-467</b>

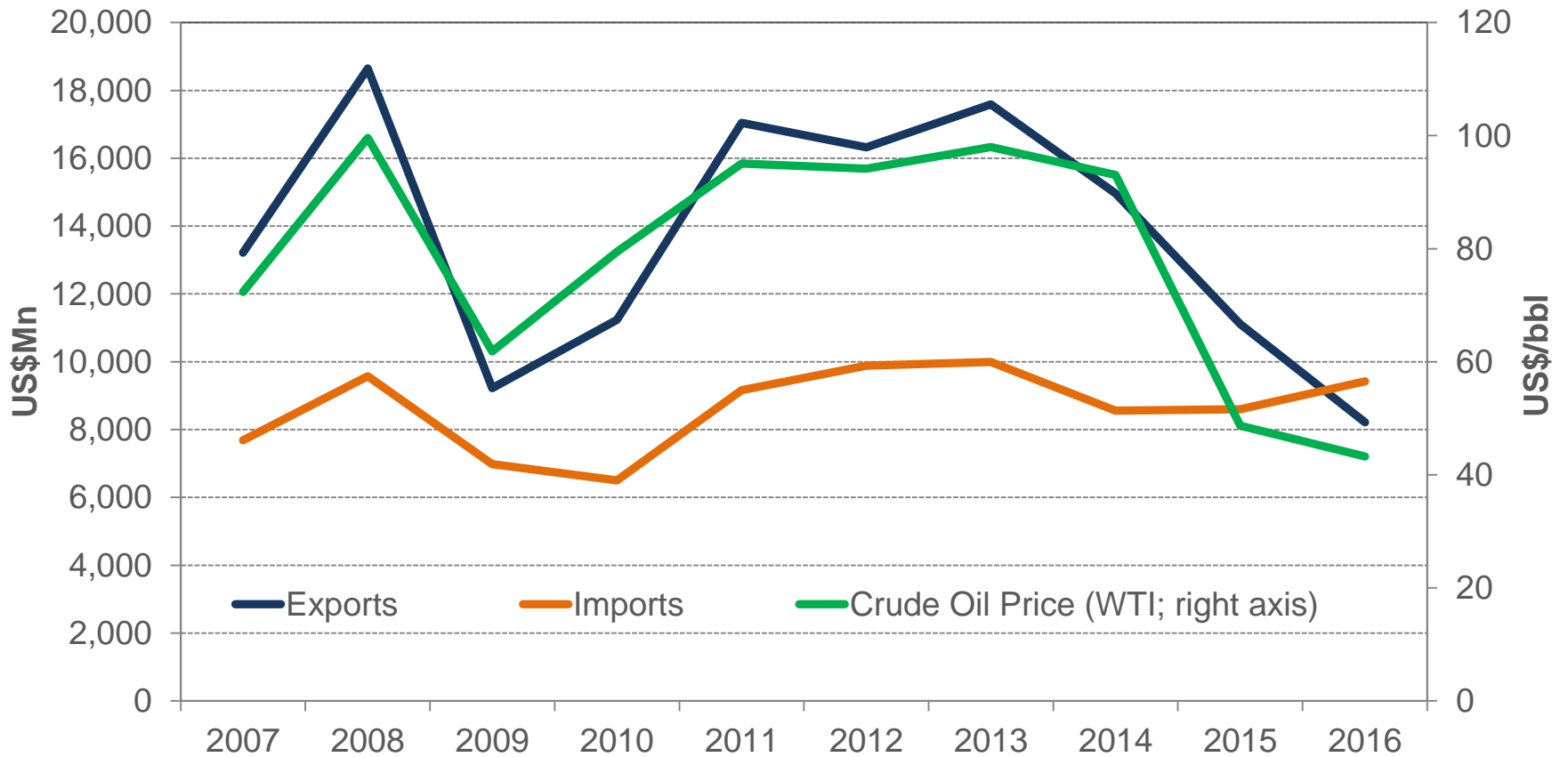
Source: Central Bank of Trinidad and Tobago.

This table is presented in the accordance with the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). For the financial account, negative signs in net balances mean net inflows.

\* Energy goods data for 2011-2016 comprise estimates by the Central Bank of Trinidad and Tobago

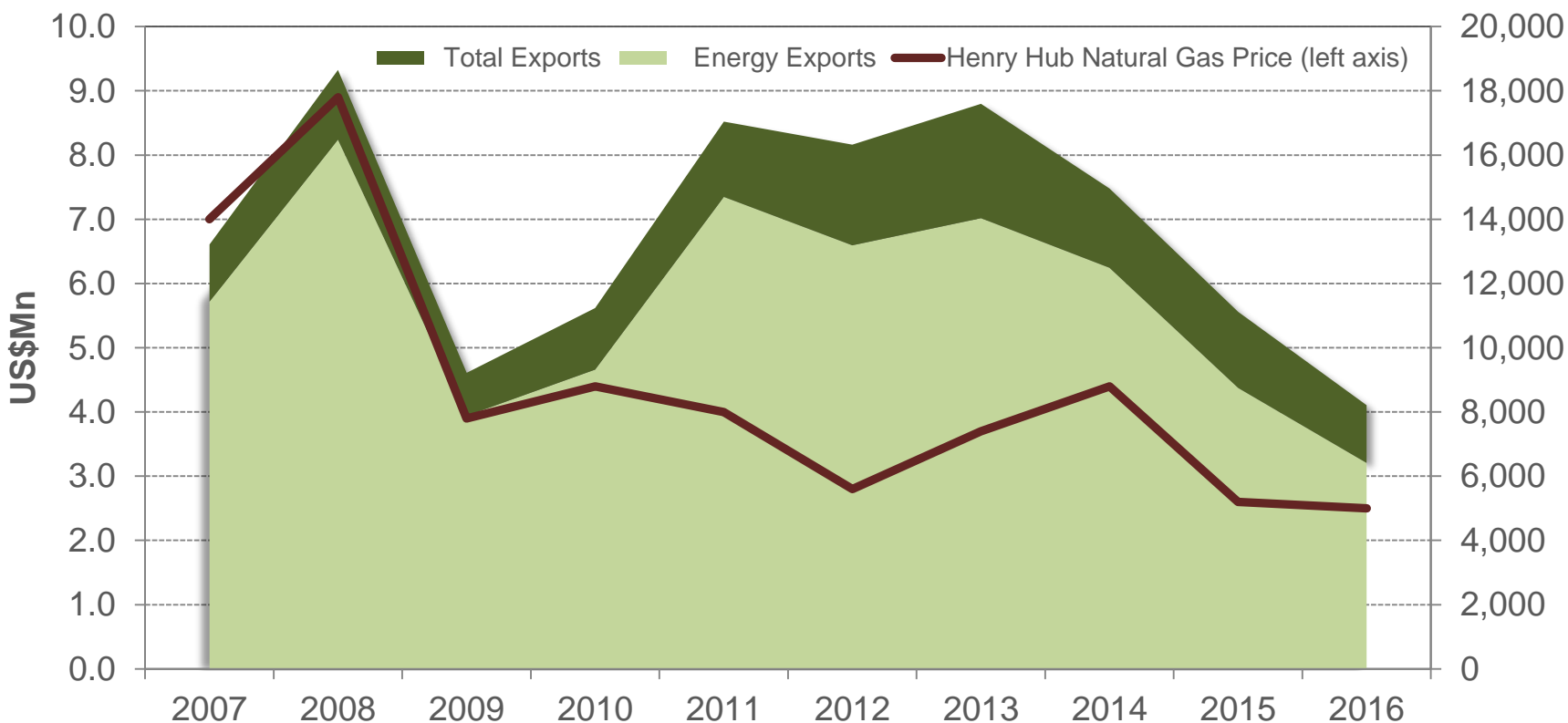


# Changes in Energy Prices Affects Trinidad and Tobago's Overall Exports...



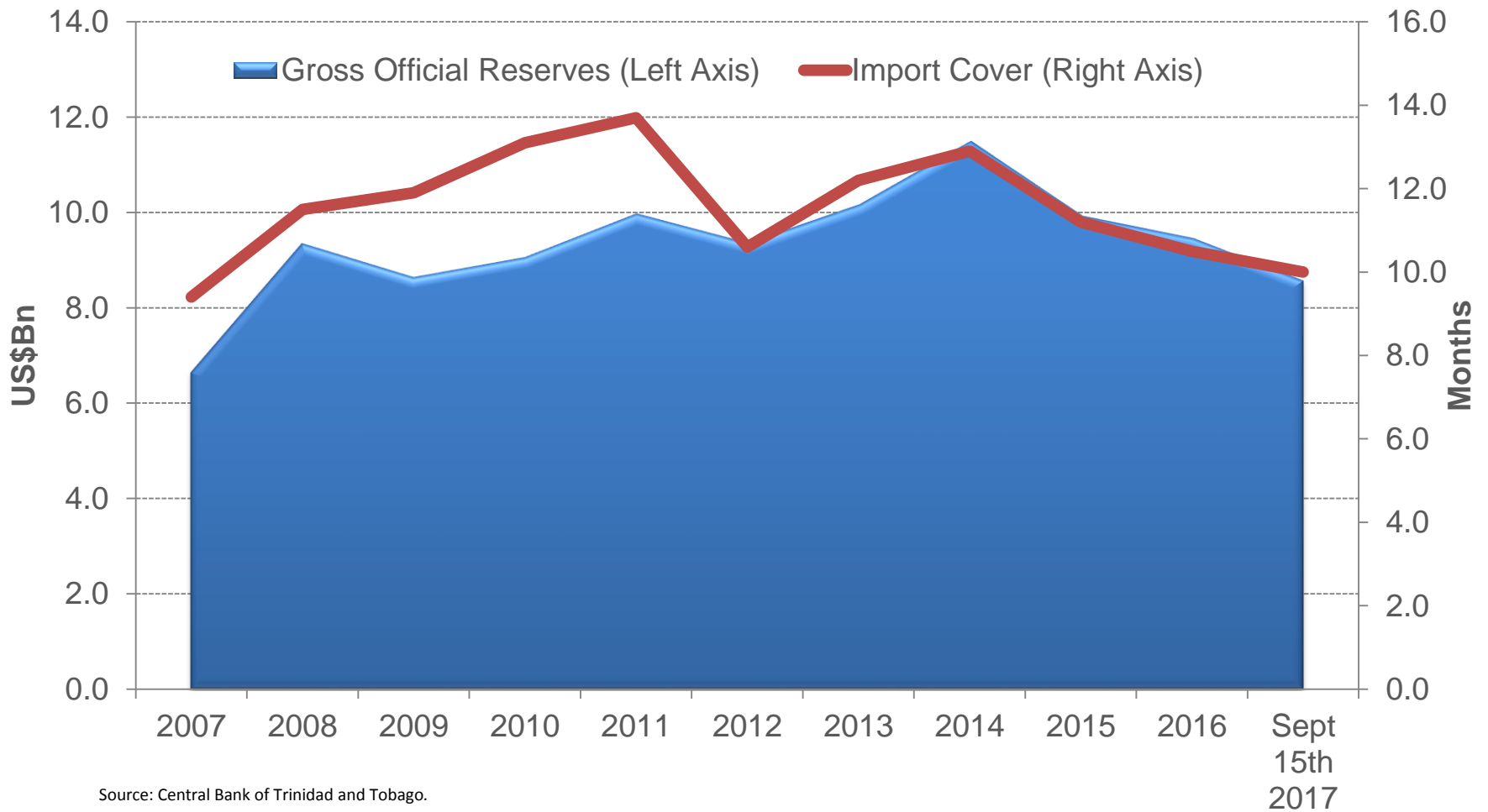
Sources: Central Bank of Trinidad and Tobago, Central Statistical Office and Bloomberg.

# As energy exports are a significant part of overall exports...



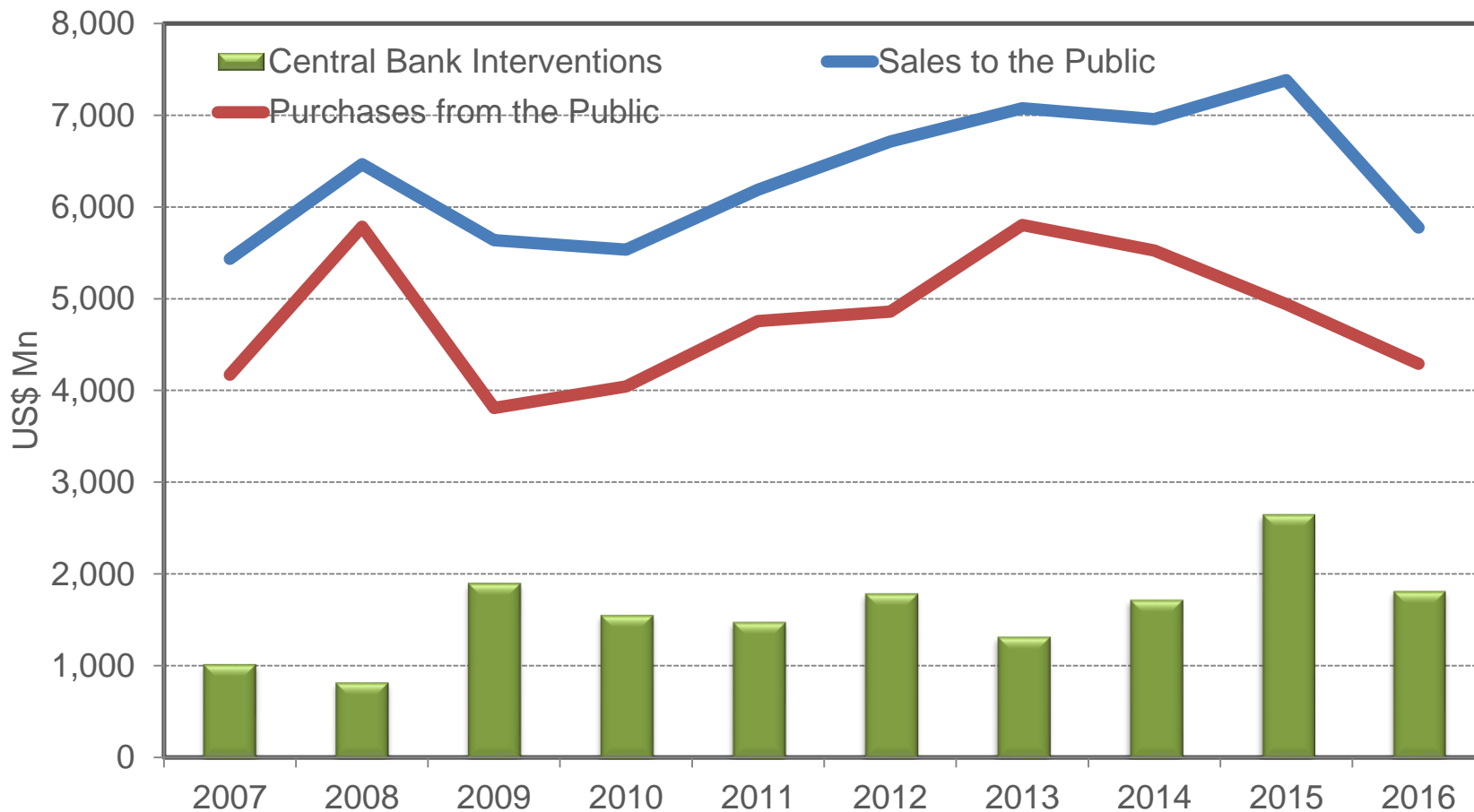
Source: Central Bank of Trinidad and Tobago.  
Energy goods data for 2011-2016 comprise estimates by the Central Bank of Trinidad and Tobago.

# International Reserves have fluctuated largely in line with changes in oil prices...



Source: Central Bank of Trinidad and Tobago.

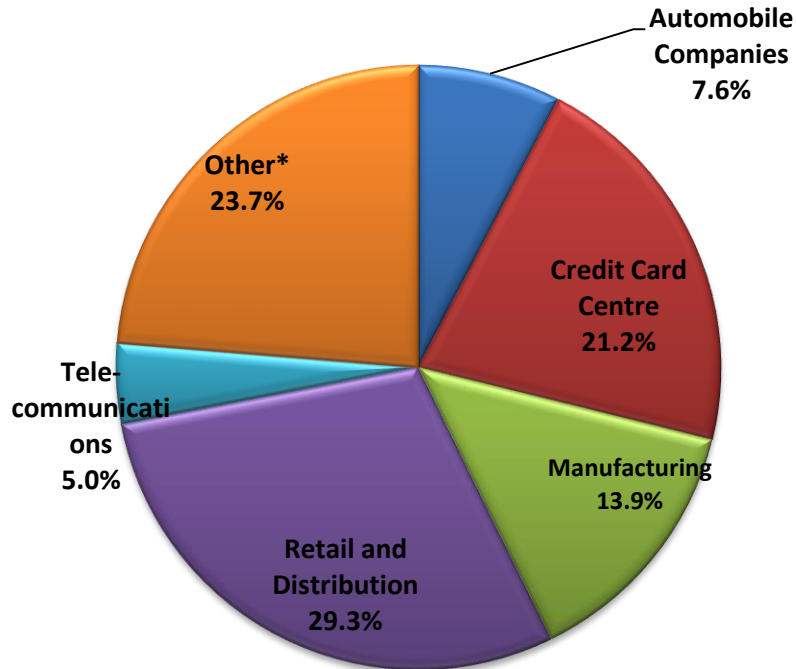
# Changes in the demand for and supply of foreign exchange reflect developments in the macroeconomic environment...



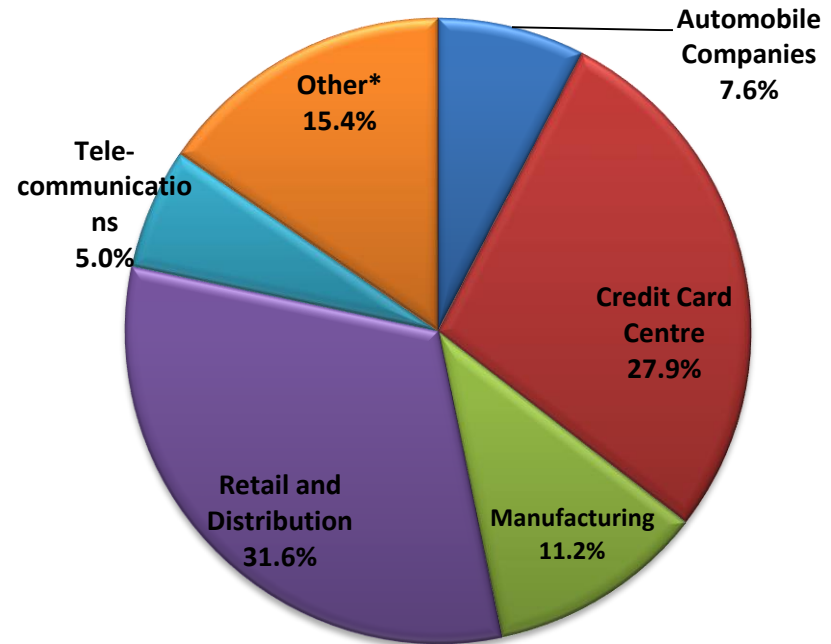
Source: Central Bank of Trinidad and Tobago.

# Distribution of Authorised Dealers Foreign Exchange Sales to the Public

January-August 2016



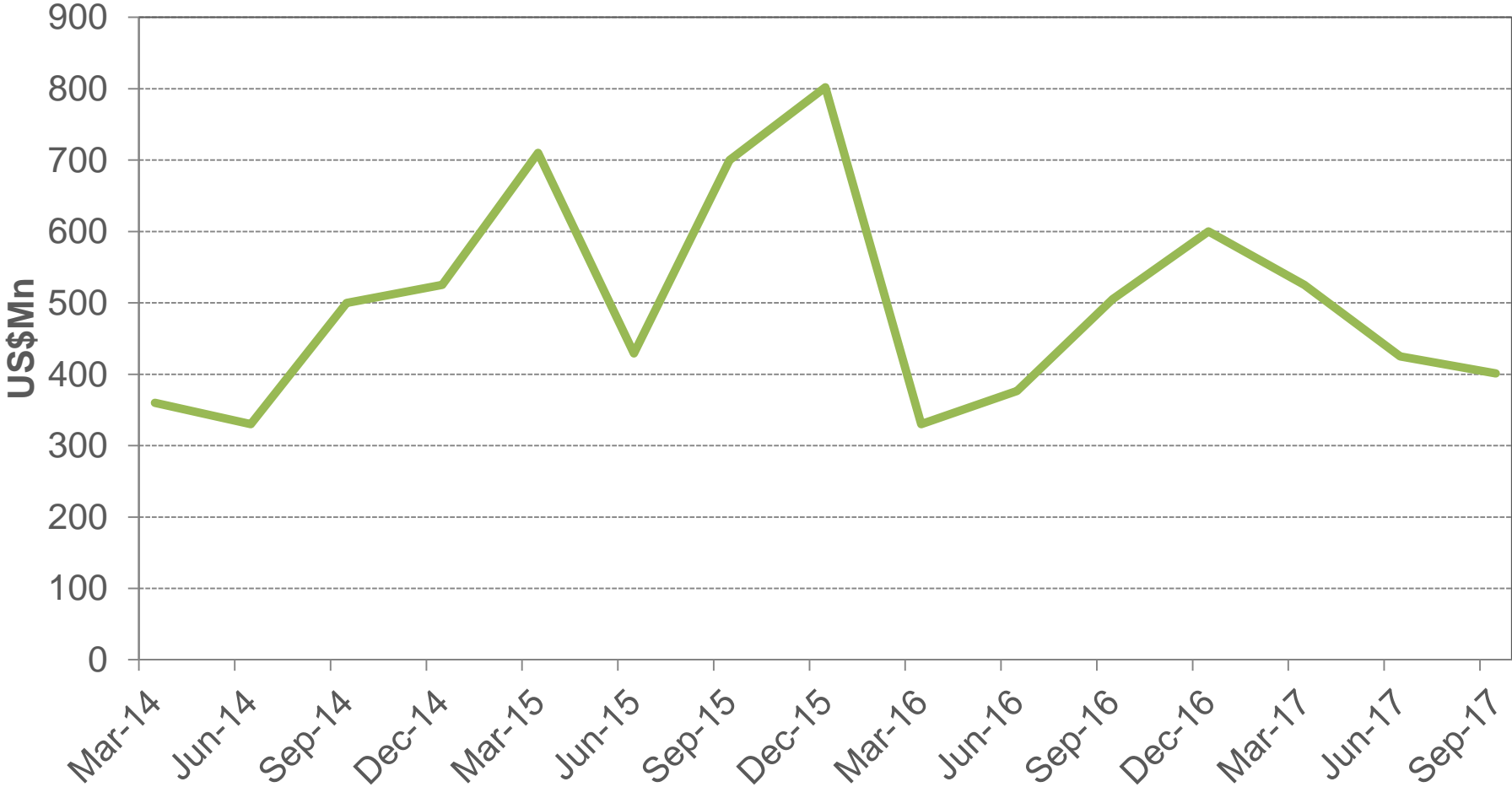
January-August 2017



Source: Central Bank of Trinidad and Tobago.

\* Other category includes Agriculture, Central and Local Government, Construction, Education, Cultural and Community Services, Energy Companies, Entertainment, Financial Institutions, Hotels and Guest Houses, Individuals, Insurance Companies, Media Companies, Other, Overseas Customers, Public Utilities, Real Estate, Services, Stockbrokers, Transportation and Storage.

# As the Central Bank Intervenes to Minimize Fluctuations...



Source: Central Bank of Trinidad and Tobago.

# Distribution of Authorised Dealers Foreign Exchange Sales to the Public

US\$m	Jan-Aug 2016	Jan-Aug 2017
Agriculture	0.0	0.0
Automobile Companies	212.4	200.2
Central and Local Government	9.8	9.0
Construction	29.5	24.6
Credit Card Centre	589.3	731.8
Education, Cultural and Community Services	16.2	8.1
Energy Companies	44.5	29.5
Entertainment	3.2	7.2
Financial Institutions	75.3	92.5
Hotels and Guest Houses	6.8	0.5
Individuals	56.0	27.5
Insurance Companies	50.5	31.4
Manufacturing	386.5	298.5
Media Companies	9.3	7.6
Other	57.8	34.3
Overseas Customers	0.4	0.6
Public Utilities	43.4	20.9
Real Estate	7.4	6.9
Retail and Distribution	813.1	830.0
Services	67.6	61.6
Stockbrokers	14.0	5.8
Telecommunications	119.3	164.9
Transportation and Storage	47.9	37.0
<b>Total &gt; US\$20,000</b>	<b>2,660.2</b>	<b>2,630.3</b>

Source: Central Bank of Trinidad and Tobago.

**THANK YOU**