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RATINGSDIRECT®

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Trinidad and Tobago (Republic of)

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Trinidad and Tobago (Republic of)

Major Rating Factors

Sovereign Credit Rating
Foreign Currency
A-/Positive/A-2
Local Currency
A+/Stable/A-1

Strengths:

- A booming energy economy, which underpins continuing fiscal and current account surpluses that, in turn, improve fiscal and external flexibility; and
- A public sector net external creditor position estimated at 45% of current account receipts (CAR) in 2007, considerably above the 30% median for 'A' rated sovereigns.

Weaknesses:

- A high and increasing nonenergy fiscal deficit due to slower development of more labor-intensive nonenergy industries, compounded by the rapid growth in operational expenditure; and
- The contingent liability posed by off-budget nonfinancial government-owned entities, some of which suffer persistent losses.

Rationale

The ratings on the Republic of Trinidad and Tobago reflect continuing surpluses in its fiscal and external accounts. The current account surplus is estimated at 24% of GDP in 2007 and 22% in 2008 (see Table 1). At the same time, the general government surplus is estimated at 1.0% of GDP in 2007 and 0.6% in 2008, down from 1.5% in 2006, reflecting the continuation of a significant expansionary fiscal policy. The general government surplus is expected to again reach 1% in 2009, under the assumption that the government will gradually reduce the pace of public spending after the parliamentary elections in order to reduce inflationary pressures posed by growing spending. This performance, along with Trinidad and Tobago's political and macroeconomic stability and the continuation of high energy prices, boosts policy flexibility and underpins strong economic growth prospects over the medium term. Trinidad and Tobago's economy grew at an average 9% rate in real terms over the past three years, and is projected to grow by 6% in 2007 and 5.5% in 2008.

At the same time, due to the ongoing expansionary fiscal stance, slower pace in the development of and tax reductions in the more labor-intensive nonenergy sector, the nonenergy deficit (overall deficit minus energy revenue) is expected to increase to 14% of GDP in 2007 from 8% in 2004, reflecting the country's heavy exposure to changes in energy prices. However, general government and public sector debt continue to decline. Net general government debt is expected in a net creditor position of 2.6% and 2.3% of GDP in 2007 and 2008 respectively, which is far better than the 'A' median's 17% and 18% respective net debtor positions for the same period.

Outlook

The positive outlook on the foreign currency rating reflects continuing fiscal and current account surpluses that, in turn, strengthen macroeconomic stability and external flexibility. At the same time, the implementation of legislation establishing the Heritage and Stabilization Fund (HSF), which is estimated to reach 9% of GDP in 2007, will provide an increasingly important buffer for the country's open, energy-based economy.

The stable outlook on the local currency rating balances the falling government debt burden with inflationary pressures that have led the country's central bank to increase its open market operations (OMOs) to an expected 7% GDP in 2007 from 1.8% of GDP in 2004.

Rapid progress in diversifying the economy to reduce the nonenergy deficit, improvements in transparency and governance, and the implementation of legislation to supervise unregulated credit unions (which represent about 7% of the financial system and have large nonperforming assets) could strengthen Trinidad and Tobago's creditworthiness. Conversely, any slippage in the pace of restructuring government-owned entities or significant increases in an already-high level of fiscal spending could lead to a reversal in the recent ratings trend. (See Table 1.)

Table 1

Trinidad and Tobago Outlook

	--Year ended Dec. 31--					
(%, unless otherwise indicated)	**2009f**	**2008f**	**2007e**	**2006**	**2005**	**2004**
GDP per capita (US$)	20,179	18,099	16,111	14,745	11,685	10,200
Change in real GDP	5.5	5.5	6.0	12.2	6.1	7.8
Change in real GDP per capita	5.2	5.2	5.7	12.0	5.6	7.2
General government balance/GDP	0.7	0.6	1.0	1.5	2.5	1.8
Net general government debt/GDP	(2.1)	(2.3)	(2.6)	(3.0)	3.1	10.7
General government interest/general government revenue	5.6	6.1	6.4	6.3	8.5	11.5
Domestic credit private sector and NFPEs/GDP	29.6	32.4	31.8	32.0	39.3	37.1
Change in consumer prices	6.0	6.8	7.0	8.3	7.0	4.0
Current account balance/GDP	17.9	21.7	23.9	24.9	28.0	12.1
Gross financing requirement/useable reserves + CAR	52.6	48.7	48.1	50.8	50.6	68.6
Net public sector external debt/CAR	(45.0)	(45.0)	(45.0)	(42.0)	(34.0)	(26.0)
Net banking-sector external debt/CAR	(10.1)	(10.2)	(10.5)	(9.4)	(4.3)	(7.4)
Net nonbank private debt/CAR	6.4	6.9	8.3	10.2	19.2	23.2

f—Forecast. CAR—Current account receipts. NFPE—Nonfinancial public sector enterprises.

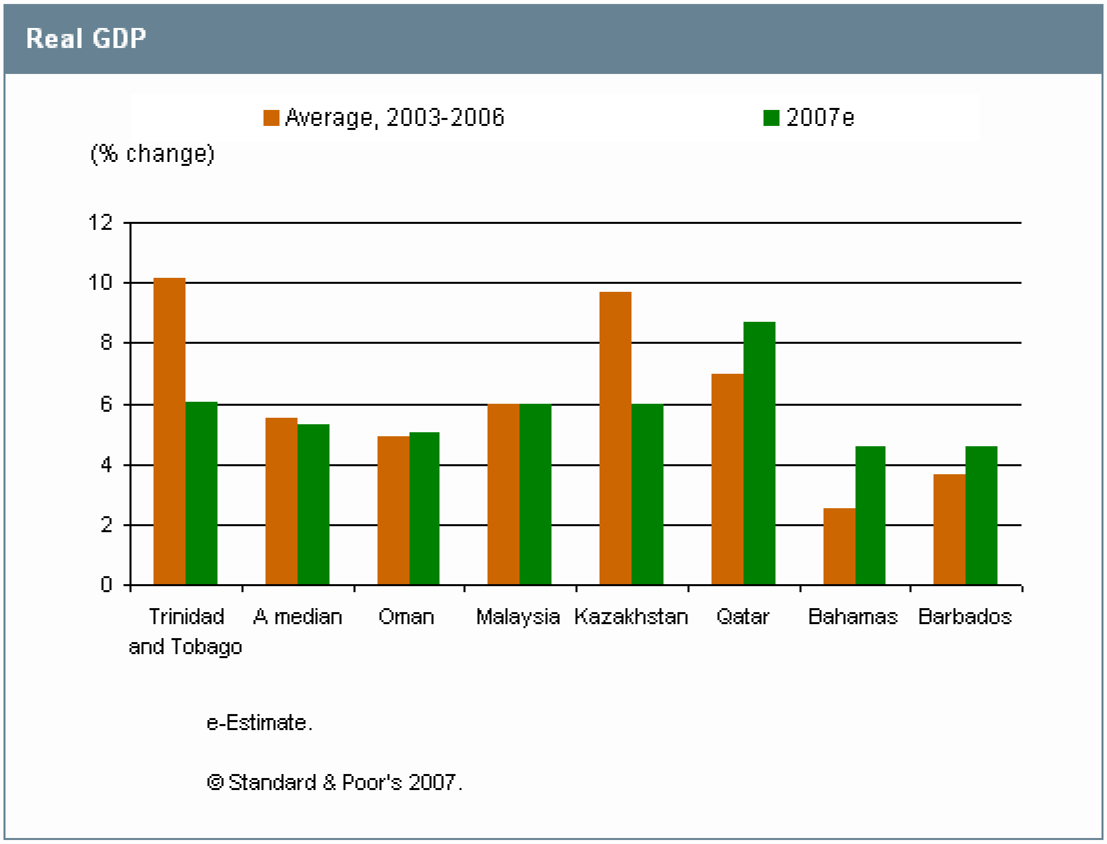
Comparative Analysis: A Key Regional Energy Producer

Like many other energy-based economies, Trinidad and Tobago has enjoyed fairly rapid economic development in recent years, recording strong external and fiscal indicators. Trinidad and Tobago can be compared with other significant energy producers such as the Sultanate of Oman, the Republic of Kazakhstan, the State of Qatar, and Malaysia. At the same time, Trinidad and Tobago can also be compared with regional peers Barbados and the Commonwealth of the Bahamas.

Economic growth, in line with energy-producer peers, outpaces that of the region

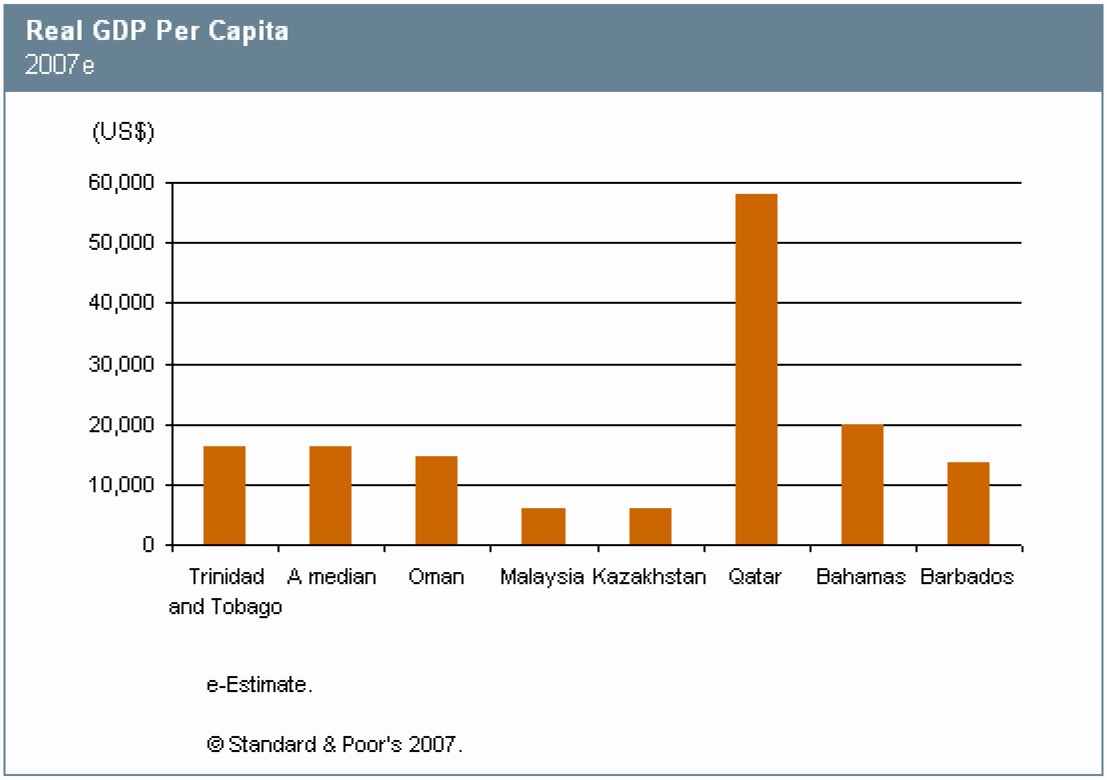
The strong performance of the energy sector continues to underpin Trinidad and Tobago's robust economic results. Its GDP growth averaged 10% for 2003-2006, above the 'A' median's 5.5 %, Malaysia's 5.9%, Qatar's 7%, Oman's 5%, Barbados' 3.7%, The Bahamas' 2.5%, and Kazakhstan at 9.5% (see Chart 1). Trinidad and Tobago's GDP per capita for 2007 is estimated at US$16,100, is line with the 'A' median's US$16,111 and surpassing that of Malaysia (US$6,050), Kazakhstan (US$5,813), and Barbados US$13,556 (see Chart 2).

Chart 1



Real GDP
Average, 2003-2006
2007e
(% change)
12
10
8
6
4
2
0
Trinidad and Tobago
A median
Oman
Malaysia
Kazakhstan
Qatar
Bahamas
Barbados
e-Estimate.
© Standard & Poor's 2007.

Chart 2



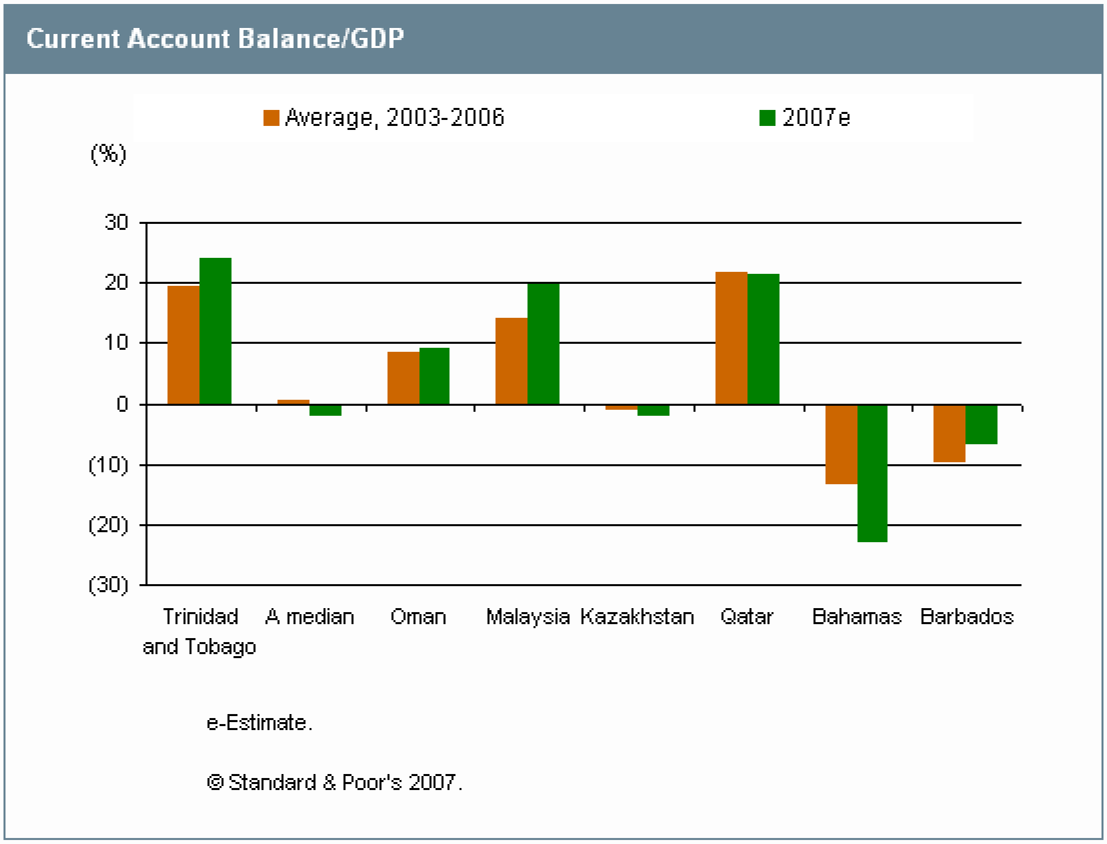
Transparency and governance require improvement

Social indicators in Trinidad and Tobago compare relatively well with those of its rated peers and its Latin American and Caribbean counterparts. A ranking of 57 out of 177 countries in the U.N. 2006 Human Development Index (1 being the best) places Trinidad and Tobago ahead of Malaysia (61) and Kazakhstan (79) but behind Barbados (31), Qatar (46), The Bahamas (52), and Oman (56). Trinidad and Tobago's ranking of 79 in Transparency International's 2006 Corruption Perceptions Index places it ahead of Kazakhstan (111) but behind Barbados (24), Oman (39), Qatar (32), and Malaysia (44).

A strong external position that continues to improve

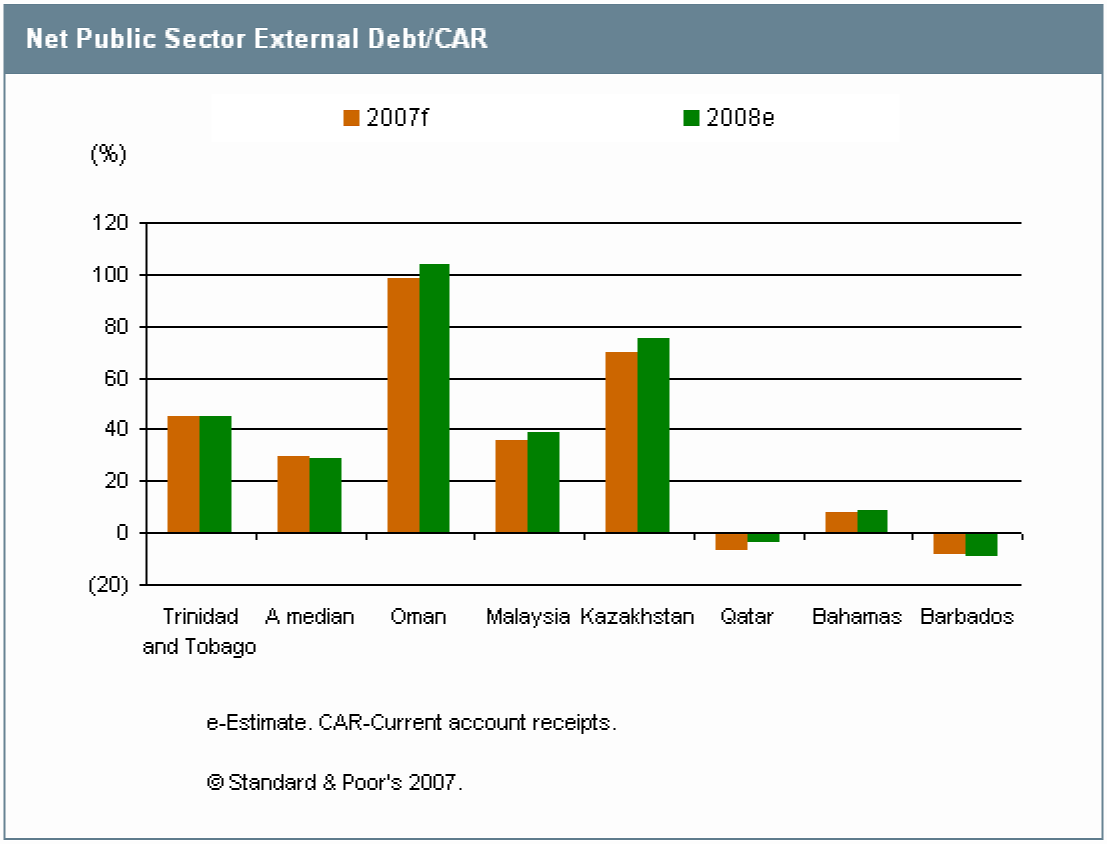
Trinidad and Tobago's average current account surplus, at 17% of GDP for 2003-2006, was above the 'A' median's 0.5 %, Oman's 8.4%, Malaysia's 14.2%, and Kazakhstan's negative 1.1% (see Chart 3). The estimated 22% of GDP current account surplus for 2008 again place Trinidad and Tobago ahead of most of its rated peers; only Qatar's expected current account surplus of 22.6% of GDP in 2008 scores higher.

Chart 3



Trinidad and Tobago's public sector is a net external creditor. Net public sector external debt is projected to reach 45.2% and 45% of CAR in 2007 and 2008, respectively (see Chart 4), above that of most of its rated peers and of the 'A' median (which has a net creditor position of 29.2% and 29% of CAR for the same period). Only Oman and Kazakhstan, with net public sector debt creditor to CAR positions of 98%/103% and 70%/75%, respectively, outscore Trinidad in the same period.

Chart 4



Relatively high interest burden and off-budget contingencies are fiscal shortcomings

At a projected 6.4%, Trinidad and Tobago's 2007 general government interest-to-revenue burden is one of the highest among its rated peers and slightly above the 'A' median's 5.8% (see Chart 5). However, Trinidad and Tobago has taken advantage of the decrease in interest rates by restructuring some of its debt, thereby lowering future debt-servicing costs and significantly reducing its interest burden from 17% in 2002. Trinidad and Tobago's net general government debt, estimated to be in a creditor position of 2.6% and 2.3% of GDP in 2007 and 2008, respectively, compares well with the 'A' median's net debtor position of 24.2% and 23.7% of GDP, respectively (see Chart 6).

Chart 5

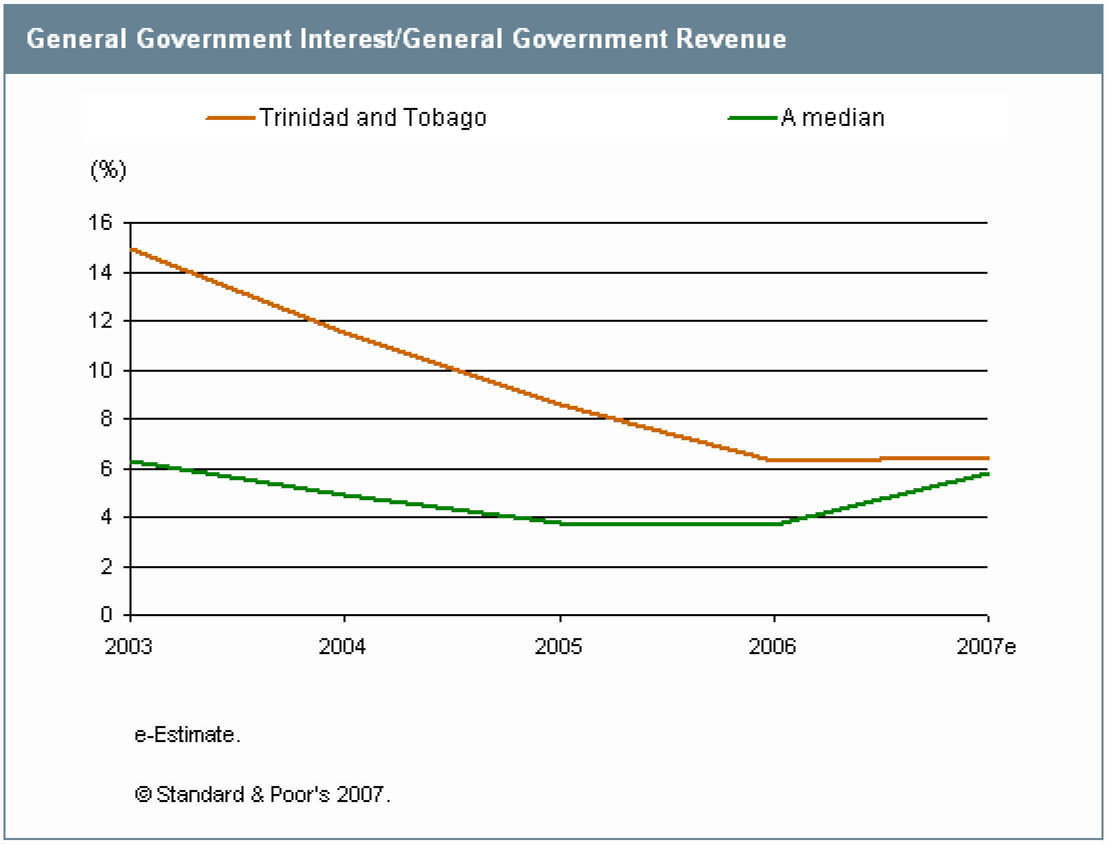
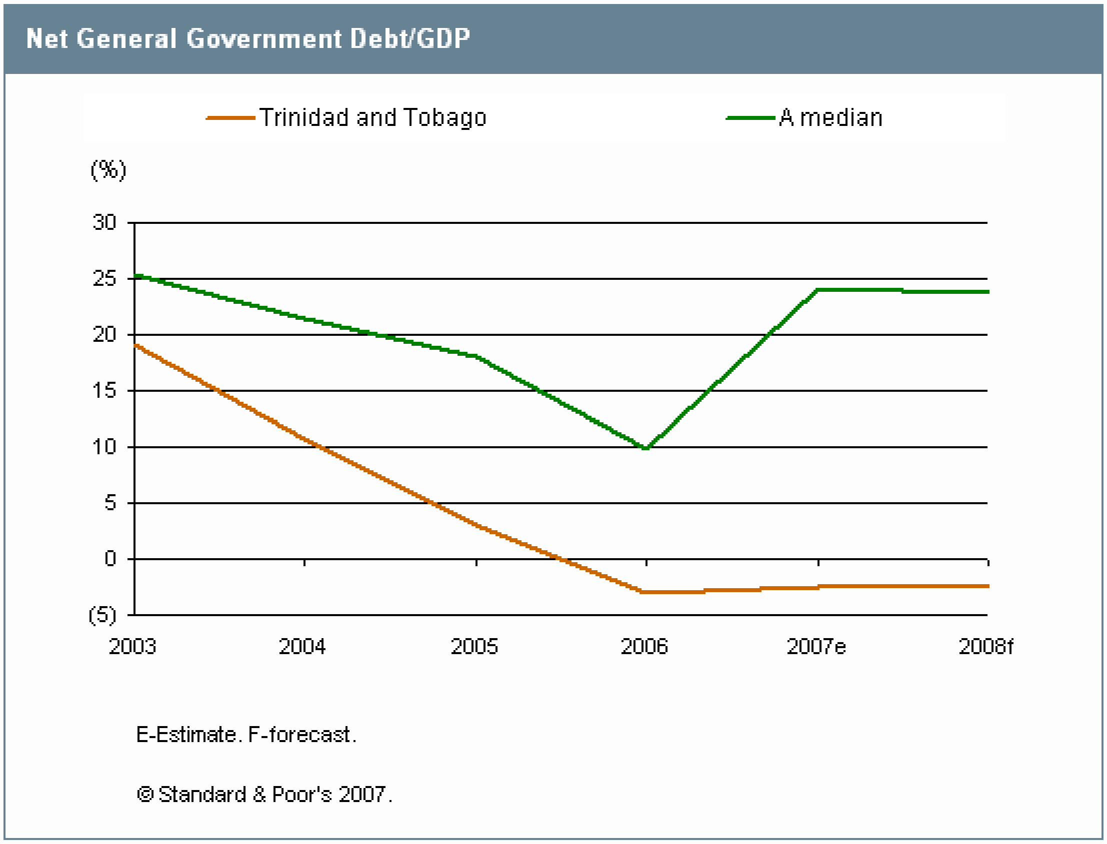

General Government Interest/General Government Revenue
Trinidad and Tobago
A median
(%)
16
14
12
10
8
6
4
2
0
2003
2004
2005
2006
2007e
e-Estimate.
© Standard & Poor's 2007.

Chart 6



Improvements in overall operating results of state-owned companies Petroleum Co. of Trinidad and Tobago (Petrotin) and National Gas Co. (NGC), a direct consequence of high energy prices, have reduced the fiscal pressures posed by a large public sector that has many inefficient and loss-making companies. The difficulties in downsizing operations—as well as the continued support by the government—can be explained, in part, by their importance as sources of employment. While many of Trinidad and Tobago's peers have experienced trouble restructuring large public sector companies, their greater economic diversification—with significant private sector, labor-intensive operations—often affords them more flexibility.

Social security, for example, is one of Trinidad and Tobago's largest social expenditure, and pension liabilities are expected to rise rapidly as public servants age. Moreover, the energy boom has increased expectations and pressures to raise the existing level of benefits to retirees (similar dynamics are at play in health care and education).

Political Environment: A New Term For PNM

- The broad agreement across all political parties to the basic thrust of economic policy minimizes the risk of a significant shift in the current macroeconomic framework;
- Rising crime is a major challenge, although it has not yet directly affect energy-sector development;
- The official party will remain in power after the November 5 parliamentary elections; and
- Trinidad and Tobago continues to be an important, secure energy supplier to the U.S. and the Caribbean.

Another five-year term for PM Patrick Manning's Party

On Nov. 5, 2007, PNM won 26 out of 41 parliamentary seats in the general elections. PNM's victory gives it a majority in Parliament, and party head Prime Minister Patrick Manning will continue in his position.

In September 2006, Winston Dookeran, then head of the United National Congress (UNC) Party, resigned his position due to serious differences with Mr. Basdeo Panday (his predecessor as head of UNC) and formed the Congress of People (COP) Party. Any chance of a serious challenge to PNM in the general elections seemed remote. However, due to the decision of the Elections and Boundaries Commission to reconfigure the country's 36 constituencies into 41, three political parties—PNM, UNC and COP—sought seats in Parliament. The election results show that politics in Trinidad and Tobago have not changed much, despite recent events. Dookeran lost his former seat in Parliament, and his COP party failed to win any seats. It will be difficult for UNC, with only 15 seats, to present a strong opposition in Parliament. That said, PNM's two-thirds majority in Parliament will prove crucial in implementing the government's agenda.

Crime still a serious issue

Violent crime, particularly murder and kidnapping, is high relative to the population. Although some government statistics show improvement, kidnapping—largely gang and drug-related—remains a source of serious concern among the population. With relatively easy access to the Trinidad coastline by sea, drug trafficking from Latin America to the U.S. and other destinations has grown substantially during the past two years.

The government response has been to create a special anti-crime unit to deal specifically with kidnappings, extortions, and other drug- and gang-related activity. Efforts are also being made to update equipment and training to help security forces deal with this type of violence. At the same time, the government has enhanced social programs focused upon education and job creation to divert children and unemployed citizens from the streets and the reach of the gangs.

International agenda

The international agenda continues to focus on supporting energy-related development. Trinidad and Tobago continues to enjoy good diplomatic relations with the U.S., Canada, and the U.K. (which have significant investments in the energy sector), further solidifying the country's reputation as a secure and stable supplier of energy resources. Relations with Caribbean neighbors are also very good, especially after April 2006 when the International Tribunal for the Law and sea settle a dispute between Trinidad and Tobago and Barbados. That said, relations with Venezuela and other Caribbean countries are increasingly dictated by energy considerations. Trinidad and Tobago does not participate of the PetroCaribe agreement, which, spearheaded by Venezuelan president Hugo Chavez, reduced Trinidad's relevance as a regional energy supplier. However, it is cooperating with the Venezuelan government to jointly exploit a field located offshore in the maritime border between the two countries that could significantly increase the country's reserves of gas and oil.

Economic Prospects: Energy Is The Main Engine

- Production in the energy sector and downstream operations underpin high real economic growth in the medium term; and
- Growth in the more labor-intensive nonenergy economy has improved and is expected at 6.7% in 2007.

Energy drives growth

Economic growth is expected to continue strong at 6% and 5.5% of GDP in 2007 and 2008, respectively (see Table 2). Even though it only provides 3.4% of the jobs in Trinidad and Tobago, the energy sector continues to be the main driver of the economy. It is expected to account for 43% of GDP in 2007, leveling off at the same rate as in 2006 but significantly higher than 2004's 34%, and is expected to grow to 46% of GDP in 2008, as Atlantic Liquefied Natural Gas (ALNG) Train IV reaches it full production capacity. This sector continues to be the main driver of an impressive fiscal and external performance that has had positive results for several consecutive years.

Table 2

Trinidad and Tobago Economic Indicators

	--Year ended Dec. 31--					
(%, unless otherwise indicated)	**2009f**	**2008f**	**2007e**	**2006**	**2005**	**2004**
GDP per capita (US$)	20,179	18,099	16,111	14,745	11,685	10,200
Change in real GDP	5.5	5.5	6.0	12.2	6.1	7.8
Unemployment rate	5.0	5.0	5.0	5.0	6.7	7.8
Domestic credit to private sector and NFPEs/GDP	29.6	32.4	31.8	32.0	39.3	37.1
Change in consumer prices	6.0	6.8	7.0	8.3	7.0	4.0

f-Forecast. NFPEs-Nonfincial public sector enterprises.

Political stability, as well as relatively transparent energy policies and proximity to the U.S., make Trinidad and Tobago an attractive market for both upstream and downstream energy-related activities. However, growth in these activities is expected to slow significantly from 21.4% in 2006, leveling off at around 7% in 2007.

The nonenergy sector and the local content in the energy sector

The nonenergy sector is expected to grow 7% in 2007, outpacing the energy sector for the first time in many years. The main drivers are services (e.g., finance and hotel and restaurants) and manufacturing (e.g., food and beverages), which we expect to grow be 8% and 7%, respectively, in 2007. We also expect the construction sector to continue to grow by 5.5% in 2007 due to an increase in both public and private sector building activity. Another important source of employment is agriculture; although it employs 5% of the workforce, this sector continues to underperform and is expected to contract by 6% in 2007.

Improving performances in the above-mentioned sectors, while not completely isolated from the energy boom, also highlight improvements in the country's economic diversification.

Fiscal Flexibility: High Energy Prices Underpin Flexibility

- High energy revenue continues to contribute to a general government surplus, which was 1.5% of GDP in 2006 and is expected at 1% and 0.6% of GDP in 2007 and 2008 respectively;
- Expenditure has also increased dramatically, up 44% from 2005—a trend that is expected to decline after the parliamentary elections;
- The government has passed legislation governing the growing HSF, expected at 9% of GDP in 2007, which will be available to ease the fiscal impact of lower energy prices; and
- Off-budget spending, a lack of transparency in government-owned entities, and persistent restructuring of these entities' bank debt remain significant problems.

Strong energy revenue and surpluses

We expect Trinidad and Tobago's revenue to increase by 4.7% in 2007, with energy accounting for roughly 48% of total revenue. Expenditure is expected to grow by about 6% in the same period. At the same time, because of a tax reduction in the more labor-intensive nonenergy sector, the nonenergy deficit (which is the overall deficit minus energy revenue) is expected as high as 14% of GDP in 2007 up from 8% in 2004. This demonstrates the island's heavy exposure to changes in energy prices, a risk that is compounded by an expansionary fiscal stance. This procyclical fiscal policy is highly questioned by many in Trinidad and Tobago, posing particular doubt over the government's capacity to spend money efficiently. That said, we expected the government to gradually revert this trend after the elections. However, a continuous overall strong fiscal position—with a surplus of about 1% of GDP, including transfers to HSF of about 1.5% of GDP—is projected for 2007 (see Table 3), stemming from continued strong energy prices.

Table 3

Trinidad and Tobago Fiscal Indicators

	--Year ended Dec. 31--					
	2009f	**2008f**	**2007e**	**2006**	**2005**	**2004**
(% of nominal GDP)						
Public sector balance	0.3	0.1	0.5	2.1	0.9	(0.1)
General government balance	0.7	0.6	1.0	1.5	2.5	1.8
General government revenue	27.5	28.3	30.7	32.3	31.1	25.2
General government expenditure	26.8	27.7	29.7	30.8	28.5	23.4
General government primary balance	2.3	2.3	3.0	3.6	5.2	4.7
Gross general government debt	21.6	23.1	24.5	22.4	28.0	28.9
Net general government debt	(2.1)	(2.3)	(2.6)	(3.0)	3.1	10.7
Gross public sector debt	31.5	34.1	36.9	36.7	44.9	46.8
Net public sector debt	7.7	8.8	9.9	11.3	20.0	28.6
(% of general government revenue)						
General government balance	2.6	2.0	3.2	4.7	8.1	7.3
General government interest expense	5.6	6.1	6.4	6.3	8.5	11.5

HSF: designed to become a fiscal and intergenerational buffer

In May 2007, Parliament passed the HSF Act No.6, legally establishing the HSF of Trinidad and Tobago. Its predecessor, the Interim Revenue and Stabilization Tund has been in existence since 2000 and has accumulated an amount that is expected to reach 9% of GDP by the end of 2007.

The fund's corporate governance is in charge of a five member board appointed by the president for a three-year term. The board must include a member of the central bank and the ministry of finance. The fund will be managed by the central bank and will be held in U.S. dollars. In order to ensure transparency, there will be quarterly reports presented to the board as well as annual audited financial statements.

The approved legislation stipulates that when petroleum revenue collected each quarter of any financial year exceeds the estimated revenue for that quarter by more than 10%, the excess revenue must be deposited in HSF. In cases where petroleum revenue collected on any given quarter exceeds the estimated revenue for that quarter but not by more than 10%, the minister my direct that all or part of the excess shall be deposited in HSF.

At the same time, if petroleum revenue collected in any financial year falls by at least 10% below what was expected, withdrawals may be made from HSF in the following manner (whichever is the lesser amount):

- 60% of the amount of the shortfall in petroleum revenues for that year; or
- 25% of the balance standing to the credit of the fund at the beginning of that year.

The amount allocated in 2007 is expected at Trinidad and Tobago dollar (TT$) 3.3 billion, bringing the outstanding balance of the fund to 9% of GDP, up from 6% in 2006.

Off-budget spending and guarantees

The general government balance does not fully reflect overall fiscal operations because it does not include the overall result of state-owned entities (SOEs) that are the recipients of government subsidies. Moreover, the government also guarantees a significant portion of government-owned enterprise debt and has demonstrated a willingness to honor nonguaranteed debt. This support could take the form of asking domestic financial institutions to roll over obligations or to extend debt-service moratoriums. However, the general government balance does include payments on debt issue for monetary policy purposes included in the general government stock of debt. These OMOs are expected to increased dramatically, to 7% of GDP in 2007 from 4% in 2006 and 1.8% in 2004, reflecting the need to sterilize the increasing flows of foreign exchange that are pressuring the Trinidad and Tobago dollar. As a result, the general government does not capture the full size of Trinidad and Tobago's fiscal operations and debt. The public sector is more reflective of Trinidad and Tobago's overall fiscal health, as it includes both the overall balance of the SOEs and the debt that the government guarantees. The public sector is expected to record a surplus of about 0.5% of GDP in 2007 and its net debt is expected at about 9.9% of GDP, improving from 11.3% in 2006.

The debt profile and interest burden continue to improve

Net general government debt was in a net-creditor position of about 2.9% of GDP in 2006, and is expected at 2.6% of GDP in 2007 and at 2.3% in 2008. This performance mainly reflects the large increments in OMOs the government incurs in order to reduce market excess liquidity.

It is also important to note that, despite its rather high interest bill compared with its rated peers, Trinidad and Tobago has made significant progress in improving its debt profile and has lowered its interest burden to a projected 6.4% of revenue in 2007—less than half that of 2003.

Contingent liabilities

Rationalization of government-owned entities has produced some results, but its continuation is vital to reduce fiscal pressures. Due to strong performances by Petrotin and NGC and to lower than expected capital expenditure, the SOEs posted an overall surplus of about 0.6% of GDP in 2006 and are expected to record an overall surplus of 0.5% of GDP in 2007. This is slowly reverting the past trend of continued deficits—1.8% of GDP in 2005 and 2.2% in 2004. Nevertheless, problems remain. For example, any further weakening in the Water and Sewerage Authority, or other state-owned enterprises could raise the treasury's debt-servicing burden.

Finally, the government is pursuing a reform to the public employee pension system which, while financially sound, requires modernized legislation.

Monetary Policy: Coping With Inflation

- Trinidad and Tobago's economy continues to operate at very close to its maximum capacity, adding to the problem of reducing the effects of excess liquidity to keep inflation and the exchange rate stable; and
- Trinidad and Tobago's financial system is broadly sound.

Link to the U.S. dollar prevents appreciation that would weaken the nonenergy sector

The central bank has kept the currency stable against the U.S. dollar since 1997, a policy that boosts confidence and economic stability and helps to contain potential pressures from seasonal demands for foreign exchange.

Inflation was 8.3% in 2006, more than double the 3.9% of 2004, and is expected at 7% in 2007, mainly driven by increases in food prices, real wages, and public and private spending. Sterilization of excess liquidity somewhat reduces the inflationary impact of foreign exchange inflows. However, OMOs are increasing dramatically, to 4% of GDP in 2006 and expected at 7% of GDP in 2007 up from 1.8% of GDP in 2004. In addition, to check emerging inflationary pressures, the central bank raised the repo rate several times in 2005 and 2006 and has maintained it at 8% since the last increase in September 2006. Finally, during 2007, and given the short-term tenure of the OMOs issued by the central bank, the central government issued two bonds. The first, in February, for TT$674.3 million with a five-year maturity and a 7.8% coupon; the second, in April, for TT$1 billion with a seven-year maturity and an 8% coupon. Both issuances were largely oversubscribed, highlighting the strong appetite for government securities in the local market.

Trinidad and Tobago's financial system is broadly sound

The banking system is broadly sound and well regulated. The three largest banks—Royal Bank of Trinidad and Tobago—recently acquired by Royal Bank of Canada, First Citizens, and Republic Bank—represent 80% of the system's total assets and have an average capital ratio of about 13%, which is well above the 8% statutory minimum. However, the nonbank financial sector (i.e., credit unions) is quite large in Trinidad and Tobago and still unregulated. The government, following suggestions from multilateral organizations, is pursuing legislation to include credit unions, mutual funds, and other nonbank financial institutions under an adequate regulatory framework. This was to be in place by year-end 2006, but has not yet been implemented. Extensive consultations and amendments to the original proposal have delayed the final preparation of the Credit Union regulation's bill, which should be in place in the first quarter of 2008.

Nonperforming loans in the banking system are expected to account for about 2% of total loans in 2007, improving from 3% in 2006. This performance is significantly better than that in the credit union sector, where nonperforming assets are estimated at around 20% of total loans. This highlights the strong need for regulation in that portion of the financial system.

Cross-border lending, regional mergers and acquisitions, and foreign sovereign placements in Trinidad and Tobago's domestic market are increasingly mopping up excess foreign exchange liquidity. Overall, foreign currency deposits constitute about 25% of system deposits. Standard & Poor's estimates that Trinidad and Tobago's financial system would have gross nonperforming loans of 25%-40% in a deep recession scenario. Given domestic credit to the private and nonfinancial public sectors of 32% expected at year-end 2007, contingent liabilities from the banking system are expected at 12.7% of GDP.

External Finances: Solid External Liquidity

- The energy boom continues to underpin large current account surpluses, projected at 35% of CAR in 2007;
- Trinidad and Tobago has significant external liquidity, which will remain robust on the back of high levels of foreign currency reserves and foreign direct investment (FDI); and
- Trinidad and Tobago's public sector is a net external creditor.

Exceptionally large current account surpluses highlight strong external liquidity

Trinidad and Tobago enjoys a sound external debt profile because of a very favorable balance-of-payments position, strong FDI inflows, and a shift toward local debt financing from foreign sources. It is generating significant current account surpluses as a result of the development of its energy base. Trinidad and Tobago achieved a current account surplus of 37.5% of CAR in 2006, and it is projected that the surplus will be as high as 35% in 2007 on the back of solid energy prices (see Table 4). The country's external liquidity position is strong. Gross external financing needs as a percentage of CAR plus usable reserve was 51% in 2006 and is expected at 48% in 2007, which is significantly better than the 'A' median's 100% expected for 2007. Continued current account surpluses, substantial FDI, and moderate amortization of medium- and long-term debt should ensure modest external financing requirements in the medium term.

Table 4

Trinidad and Tobago External Indicators

	--Year ended Dec. 31--					
	2009f	**2008f**	**2007e**	**2006**	**2005**	**2004**
(% of nominal GDP)						
Trade balance	18.4	22.4	25.5	27.5	26.0	11.1
Current account balance	17.9	21.7	23.9	24.9	28.0	12.1
Net FDI	2.1	2.1	2.2	2.7	4.0	7.4
(% of CAR, unless otherwise noted)						
Current account balance	28.1	32.8	35.3	37.5	40.5	22.4
Net investment payments	4.5	5.1	6.0	7.4	3.8	7.2
Net interest payments	0.6	0.6	0.7	0.8	0.1	2.3
Total external debt	26.0	29.0	32.0	36.0	50.0	65.0
Net external debt	(48.6)	(48.3)	(47.4)	(41.4)	(19.1)	(10.0)
Net public sector external debt	(45.0)	(45.0)	(45.0)	(42.0)	(34.0)	(26.0)
Reserves/imports (# of months)	8.2	8.7	8.6	7.4	6.2	5.4
Gross financing requirement/useable reserves + CAR	52.6	48.7	48.1	50.8	50.6	68.6

f—Forecast. CAR—Current account receipts. FDI-Foreign direct investment.

External debt continues to drop, and the public sector's external position continues to strengthen

Trinidad and Tobago's external debt burden has declined significantly in the past five years. Intrafirm FDI, project finance, or both will continue to constitute the core of the corporate sector's international funding activity.

The public sector is a net creditor, with a narrow net position of 31.5% of current of CAR in 2006, and 37.8% in 2007, improving from a narrow net debtor position of 2.6% in 2004.

Ratings Detail (As Of November 30, 2007)*		
Trinidad and Tobago (Republic of)		
Sovereign Credit Rating		
Foreign Currency		A-/Positive/A-2
Local Currency		A+/Stable/A-1
Senior Unsecured		
Foreign Currency		A-
Local Currency		A+
Sovereign Credit Ratings History		
27-Sep-2007	*Foreign Currency*	A-/Positive/A-2
21-Jul-2005		A-/Stable/A-2
16-Jun-2004		BBB+/Positive/A-2
02-Apr-2003		BBB/Stable/A-2
21-Jul-2005	*Local Currency*	A+/Stable/A-1
16-Jun-2004		A/Positive/A-1
02-Apr-2003		A-/Stable/A-2
Default History		
US$800 million rescheduled in conjunction with an IMF standby arrangement in 1992.		
Population		1.3 million
Per Capita GDP		US$16,111 (estimated)
Current Government		
Prime Minister Patrick Manning heads the People's National Movement (PNM) government. President Max Richards is head of state.		
Election Schedule		
Parliamentary Last: Nov. 5, 2007 Next: Nov. 2012		

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.