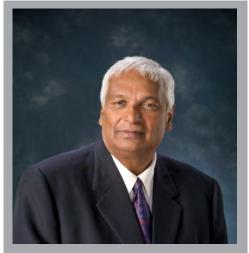


Report on the Nation's Business

Moving Forward Prudently – By Stabilizing the Economy and Encouraging Growth



The Honourable Winston Dookeran Minister of Finance

Trinidad and Tobago's Economic

Recovery given the global downturn and our fiscal challenges locally has been predicated on measures to stabilise the national financial balance sheet, trigger a new momentum for growth and confront the fiscal challenges that will sustain the growth momentum while faithfully adhering to a strong social support program.

Today many countries have seen their credit rating downgraded including economies that have been seen as sound such as, Japan, Portugal, Greece, Ireland and most recently Spain. This represents the changing global environment of a world economy still searching for a sustainable response to the global financial crisis.

We are not immune to these developments and it is in this context that I have approached the resolution of the CLICO crisis, the outstanding payments to contractors and banks and the wage negotiations for the period 2008 to 2010.

Fiscal Challenges

We are in a period of fiscal deficits that emerged since 2009 and in 2011 we project an overall fiscal deficit of \$7.7 billion or 5.5% of GDP. The total revenue of the Central Government this year has been estimated at \$41.2 billion with an expenditure of \$49.0 billion. Currently expenditure can be broken down as follows: 42 % to transfers and subsidies (this includes items such as the petroleum subsidy, pensions and gratuities, GATE), capital expenditure 16%, salaries and wages 16%, goods and services 17%, and interest payments 9%. Our primary fiscal challenge is to return to fiscal balance by 2013/2014.

It is in this context that wage negotiations began with the Public Services Association, and the Chief Personnel Officer last October. The final offer of five (5) percent, (distributed 2%-1%-2% over the period 2008 to 2010), represents a shift from the original offer of one (1) percent. The offer would provide arrears to officers who retired from the Civil Service in 2008 and 2009 and is superior to the settlement offer of 5% distributed (0%,0%,5%). Over this time, the CPO has faithfully upheld the collective bargaining process in an effort to settle the matter of revised salaries and COLA for approximately 33,000 officers of the Civil Service and Statutory Authorities. The revised compensation if it were to be extended to the rest of the public service where negotiations are still ongoing will cost the Treasury \$1.251 billion, plus an

additional cost for allowances of at least \$761 million in 2011. The wage bill for the public sector will now be approximately \$8.0 billion annually which represents 19% of our gross revenue.

In this situation we believe that such a settlement represents a prudent macroeconomic approach that will stabilise the financial situation and set the condition for a new growth momentum. There are other pressing problems engaging our attention such as inflation, expansion of employment opportunities, maintaining a healthy foreign exchange reserve position and sustaining our social support programmes.

The time is now for our nation's economy to reflect a new confidence that we can meet the fiscal and economic challenges of our day. Already we have begun to see some signs of growing confidence in the economic health of our nation as expressed by International financial opinion on the future of this economy. We must build on the solid economic record of Trinidad and Tobago and must anticipate the risk ahead of us and embrace the challenges that have clearly informed our economic and fiscal policies.