



TRINIDAD & TOBAGO

Spotlight on the Economy 2022

*Presented by the Honourable Colm Imbert, MP
Minister of Finance
at the Hyatt Regency on September 2, 2022*

Key messages

- 1 The world is going through an exceptional series of unexpected shocks
- 2 These shocks are generating widespread financial pressure/distress for emerging markets
- 3 The credibility earned in previous years has allowed the government to protect the population as much as possible – and considerably more than in many comparable economies
- 4 Our policies aimed at supporting production in the oil/gas and petrochemicals sectors are allowing us to reap the benefits of the current favorable price dynamics
- 5 Our policies have supported a broad-based and robust recovery of the Trinidadian economy...
- 6 ...resulting in an improvement of key credit rating drivers for Trinidad and Tobago...
- 7 ...and revealing a previously underestimated financial resilience
- 8 We aim at transforming the current momentum into structural achievements
- 9 In that context, key fiscal measures going forward will reflect this balancing act

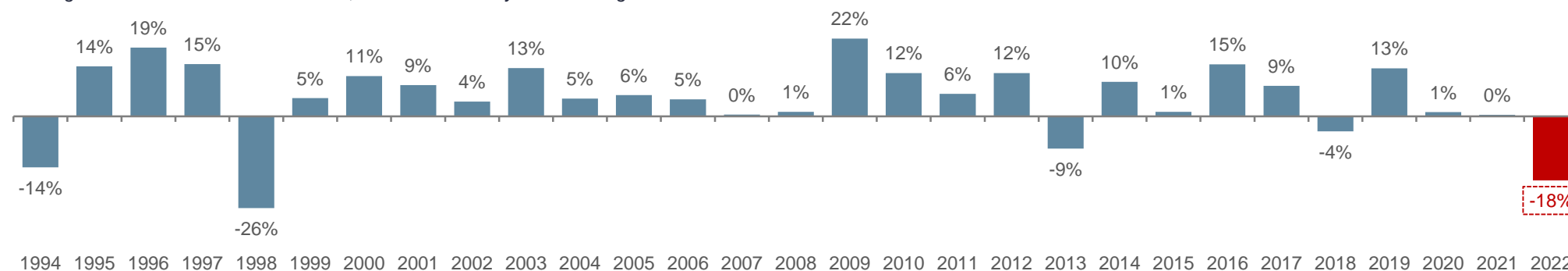
1 The world is going through an exceptional series of unexpected shocks



2 These shocks are generating widespread financial pressure/distress for emerging markets

Emerging markets have experienced one of the worst capital outflows in three decades

JPMorgan EMBI Global Diversified Index, total return in the year to 30 August 2022



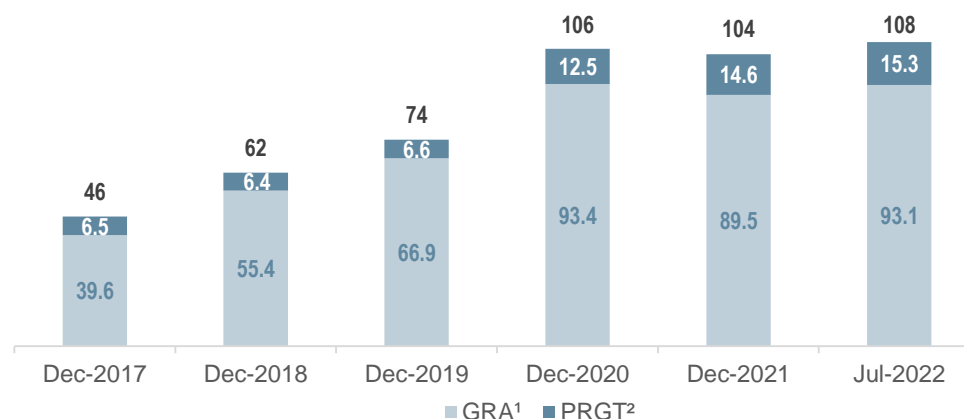
Spreads of emerging economies are on an upward trend in 2022

JPMorgan EMBI Global Spread Index (bps)



IMF lending has more than doubled in the past five years (2017-2022)

IMF Credit Outstanding for all members, SDR bn



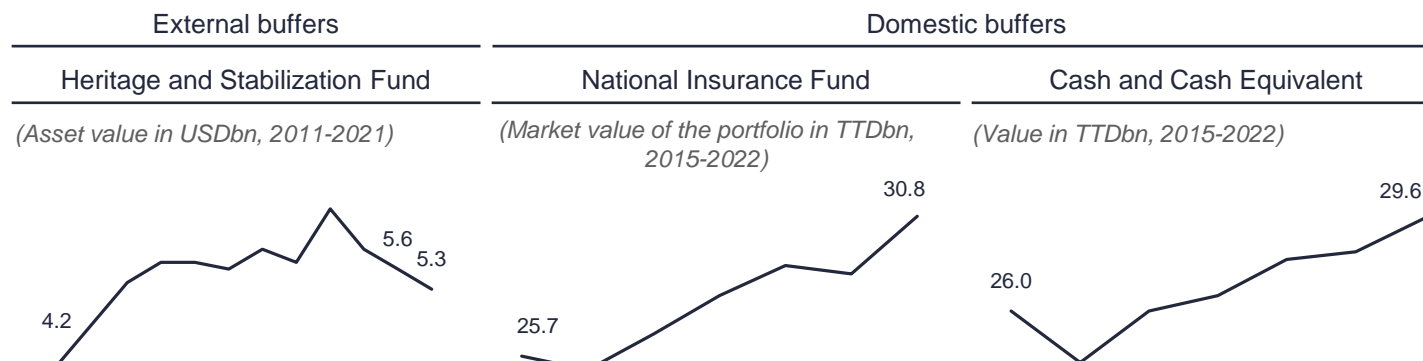
- In 2022, Emerging Markets have so far experienced the second largest outflows in three decades (after the Asian financial crisis)
- Several countries are close to economic collapse further to the pandemic and the invasion of Ukraine. Some others are struggling under IMF programs.
- That is not the case of Trinidad & Tobago

Source: IMF, Bloomberg as of 30 August 2022

Note: (1) GRA: General Resources Account of the International Monetary Fund; (2) PRGT: Poverty Reduction and Growth Trust of the International Monetary Fund

3 The fiscal credibility earned over the last 7 years allowed the government to access substantial financing during the Covid-19 crisis to protect and support the population

PREEMPTIVE ACCUMULATION OF SEVERAL BUFFERS AND MOBILIZATION OF SUCH BUFFERS WHEN NEEDED



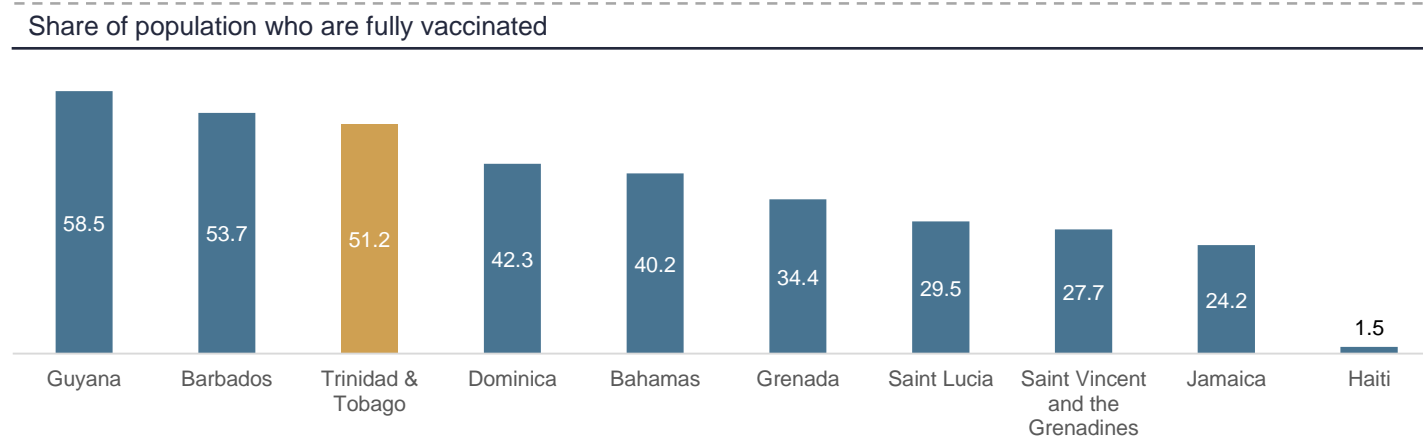
SIWFT AND TARGETED RESPONSE TO THE CRISIS

OVERALL FISCAL STIMULUS PACKAGE FROM THE START OF THE PANDEMIC: **TTD 5.4 bn (3% OF GDP)**

BUSINESS SUPPORT: **TTD 4.3 bn**

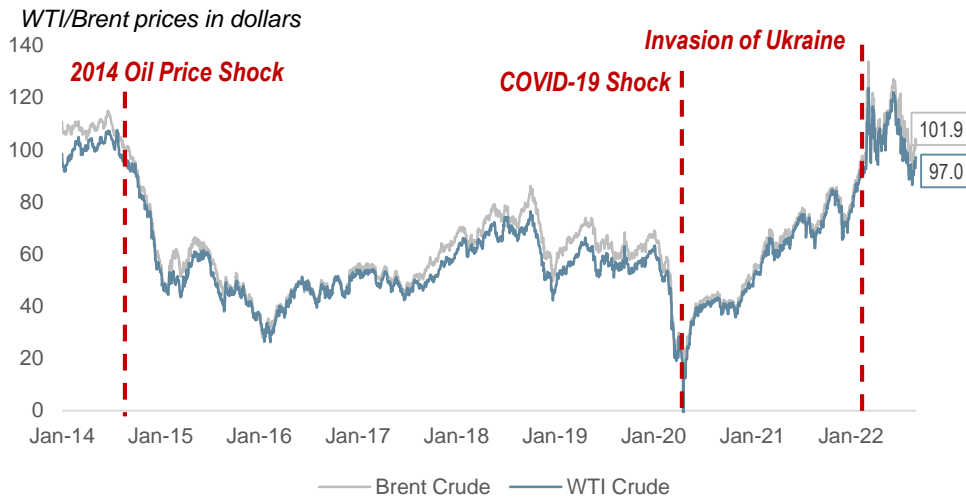
SOCIAL PROTECTION MEASURES: **TTD 1.1 bn**

AMONG THE BEST IN THE REGION REGARDING VACCINATION COVERAGE

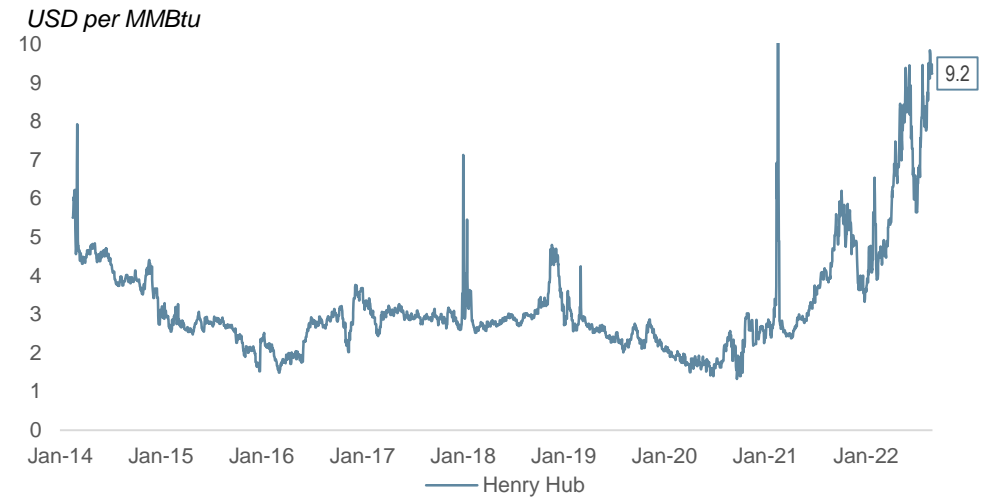


4 T&T is well positioned to reap the benefits of the current favourable price dynamics

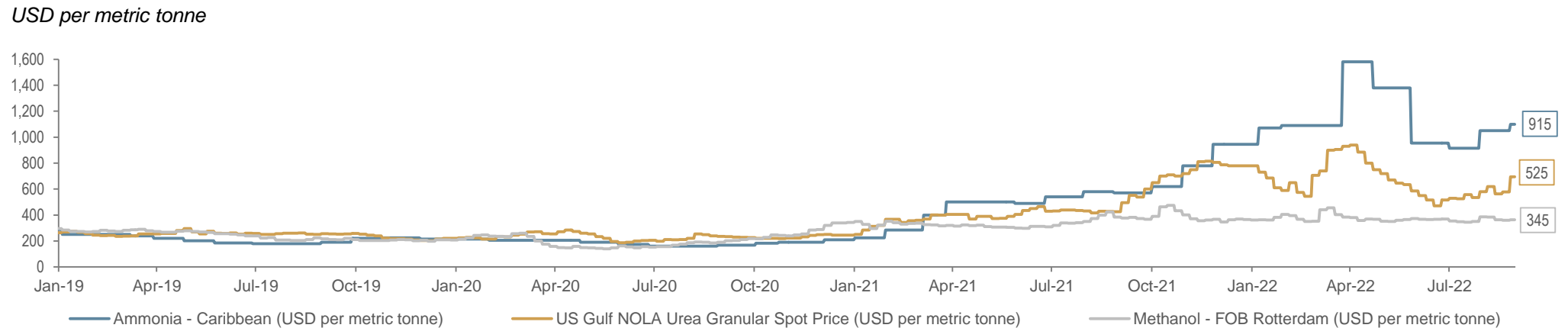
Evolution of WTI Crude and Brent Crude prices since 2014



Evolution of Henry Hub Natural Gas prices since 2014

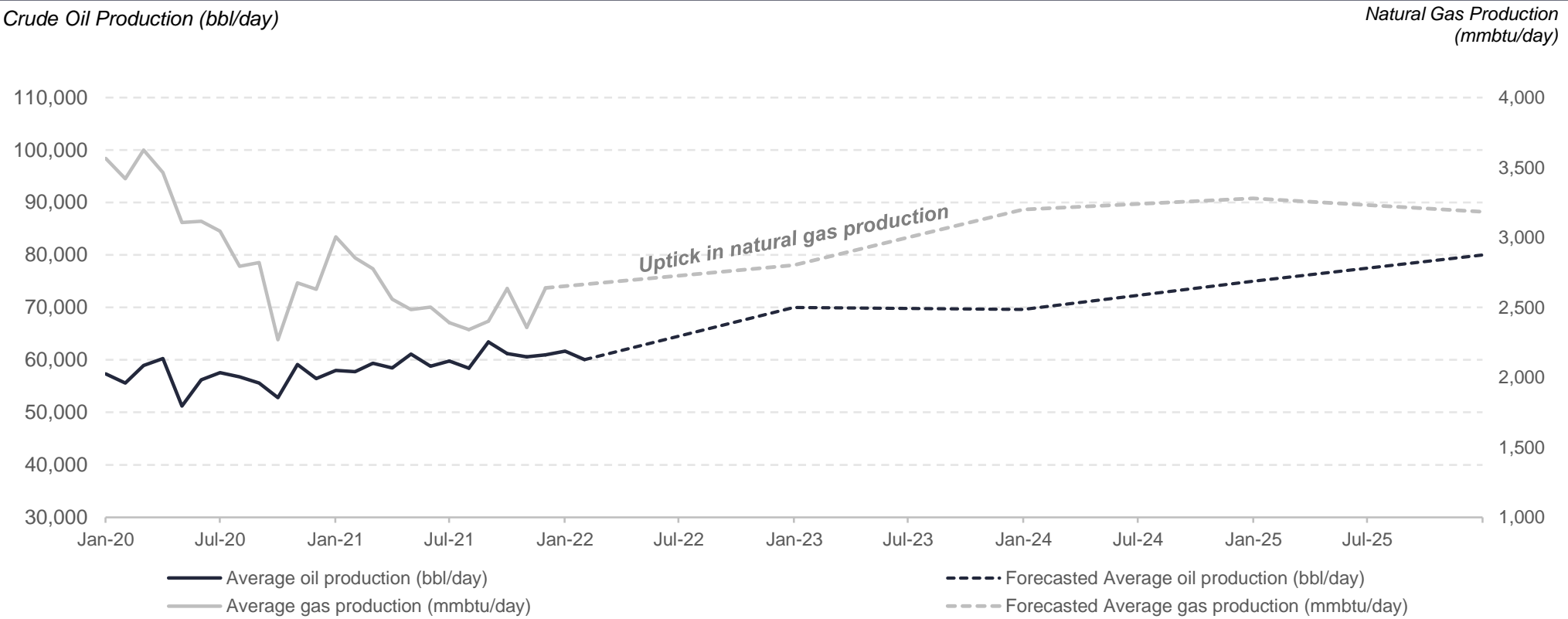


Weekly prices of Ammonia, Urea and Methanol



Trinidad & Tobago will benefit from the improved terms of trade through the coming on stream of several major oil and gas projects and recent discoveries

Oil and gas production in Trinidad and Tobago (historical data and forecasts)

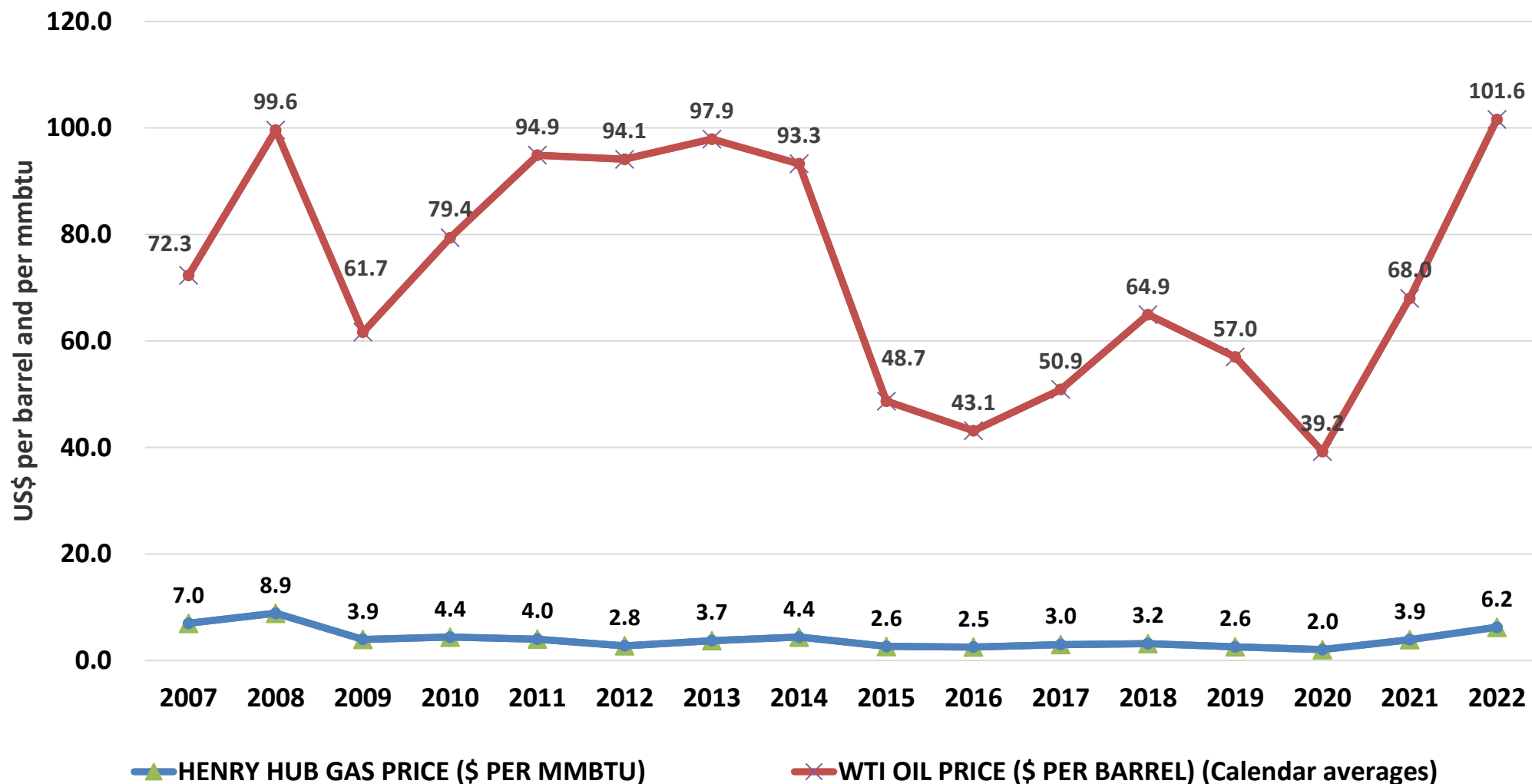


Source: Government of Trinidad & Tobago

Oil and Gas Spot Prices

2007 – July 2022

SPOTLIGHT ON THE ECONOMY 2022

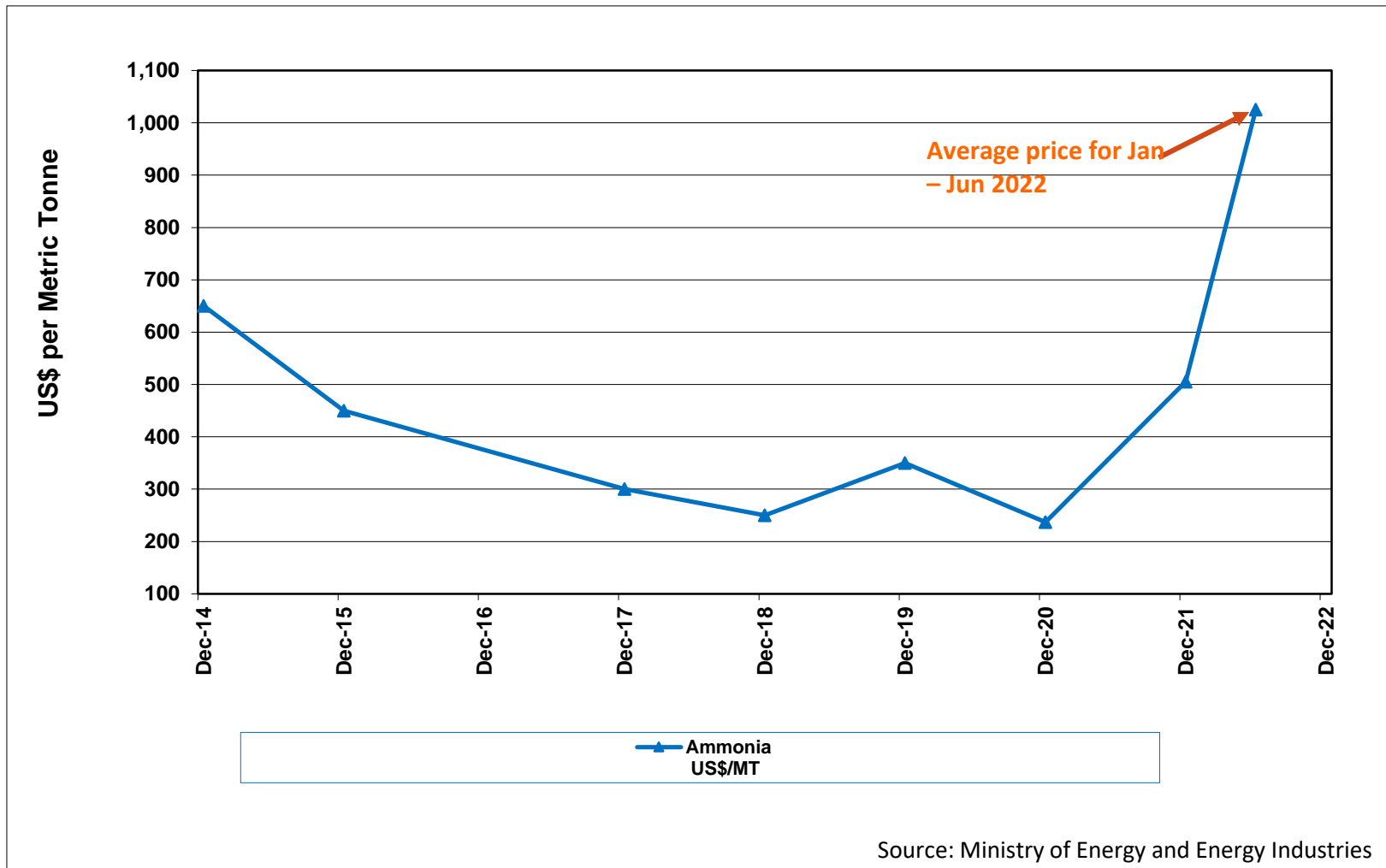


Source: U.S. Energy Information Administration (EIA)

The Henry Hub price for natural gas increased by 59.6% from an average price of US\$3.91 per mmbtu in 2021 to an average price of US\$6.24 per mmbtu over the first seven months of 2022. The average price per barrel of oil increased by 49.4% to an average of US\$101.59 per barrel over the first seven months of 2022, from an average price of US\$67.99 per barrel in 2021.

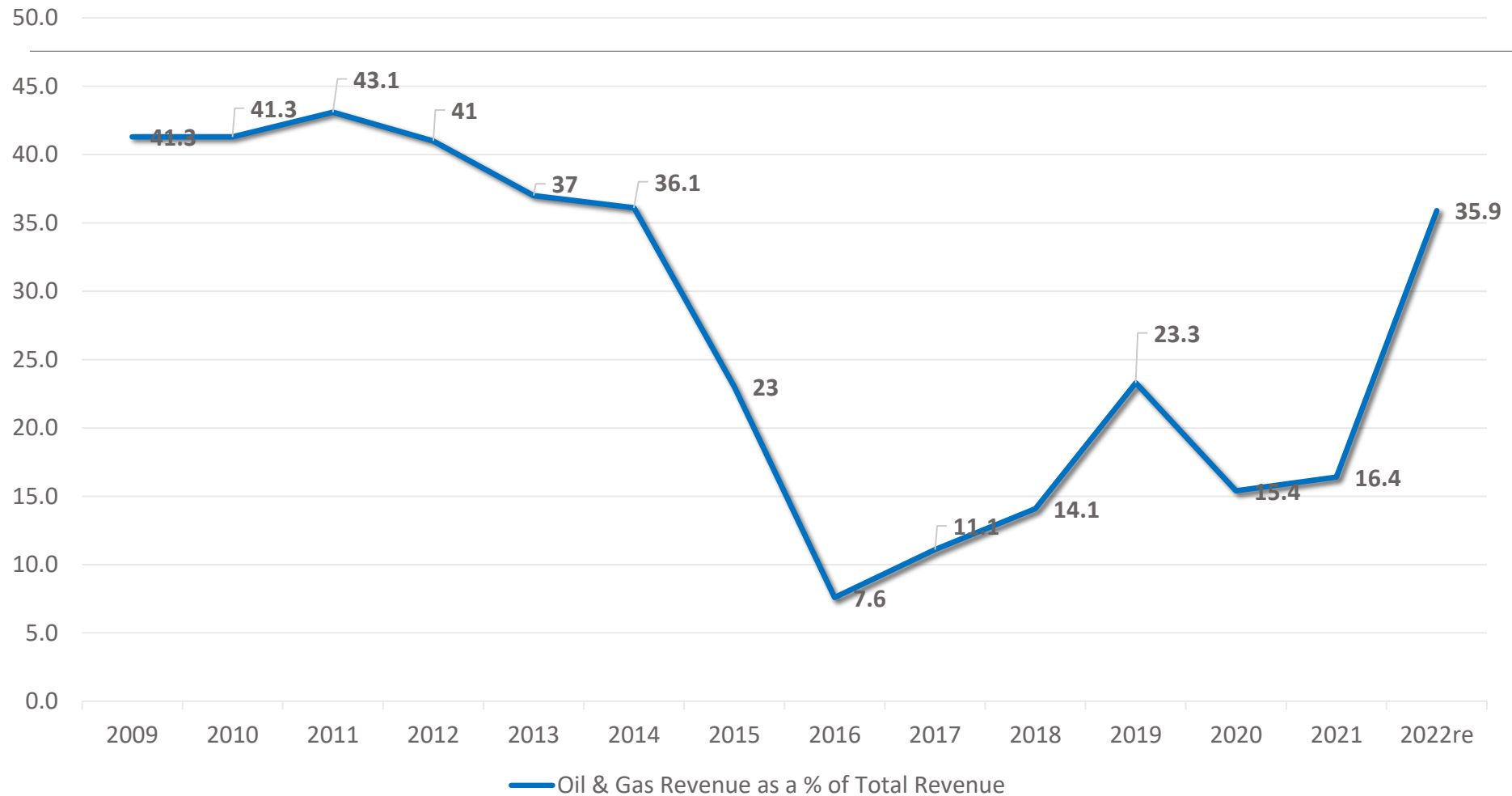
Ammonia Prices 2014 – June 2022

Downstream

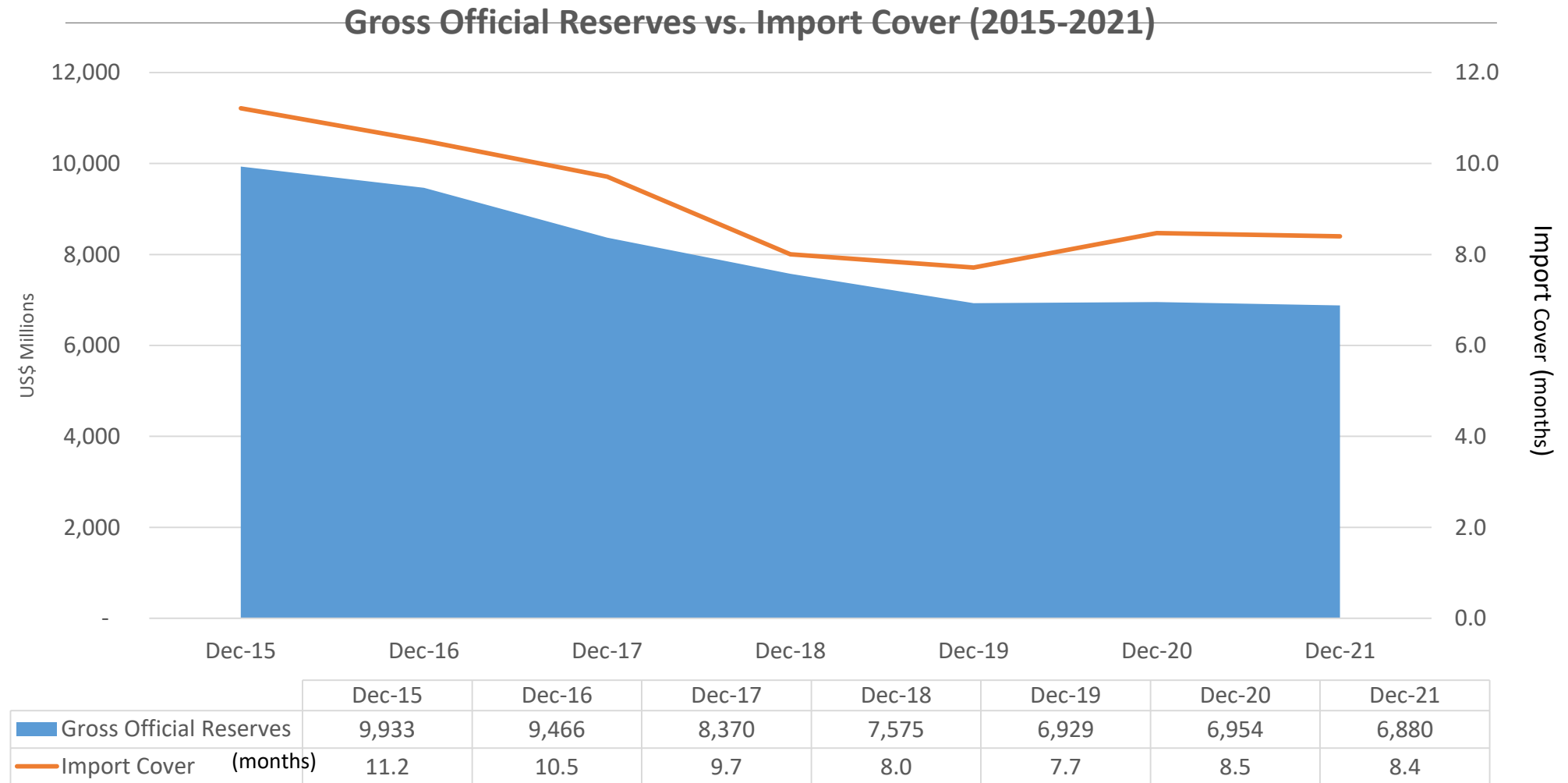


Oil & Gas Revenue (2009-2022)

Oil & Gas Revenue as a % of Total Revenue (2009-2022)

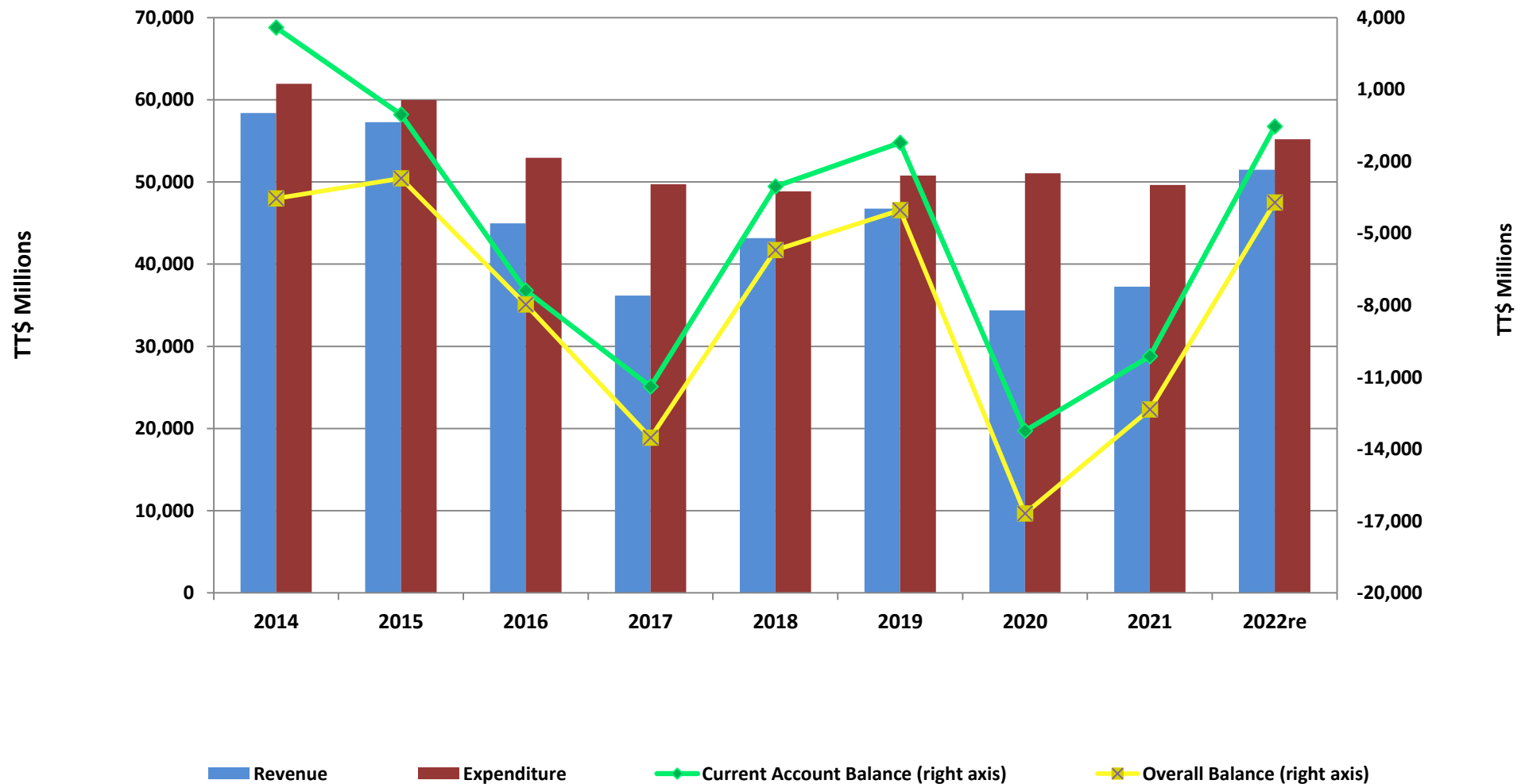


International Reserves have fluctuated largely in line with changes in oil prices and the decline in energy exports, but have improved with drawdowns from the HSF and successful overseas financing

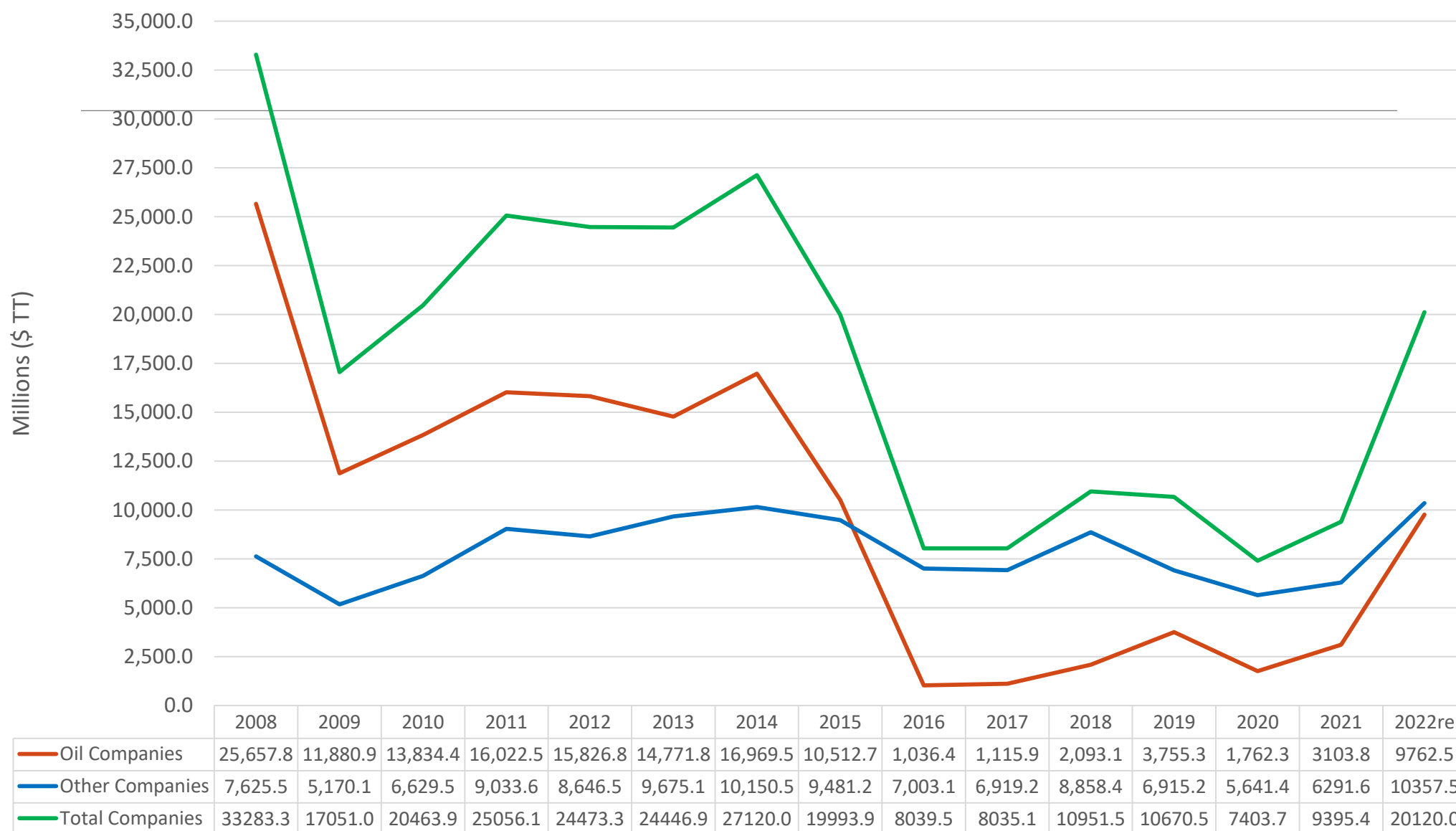


Source: Central Bank of Trinidad and Tobago.

Central Government Fiscal Operations

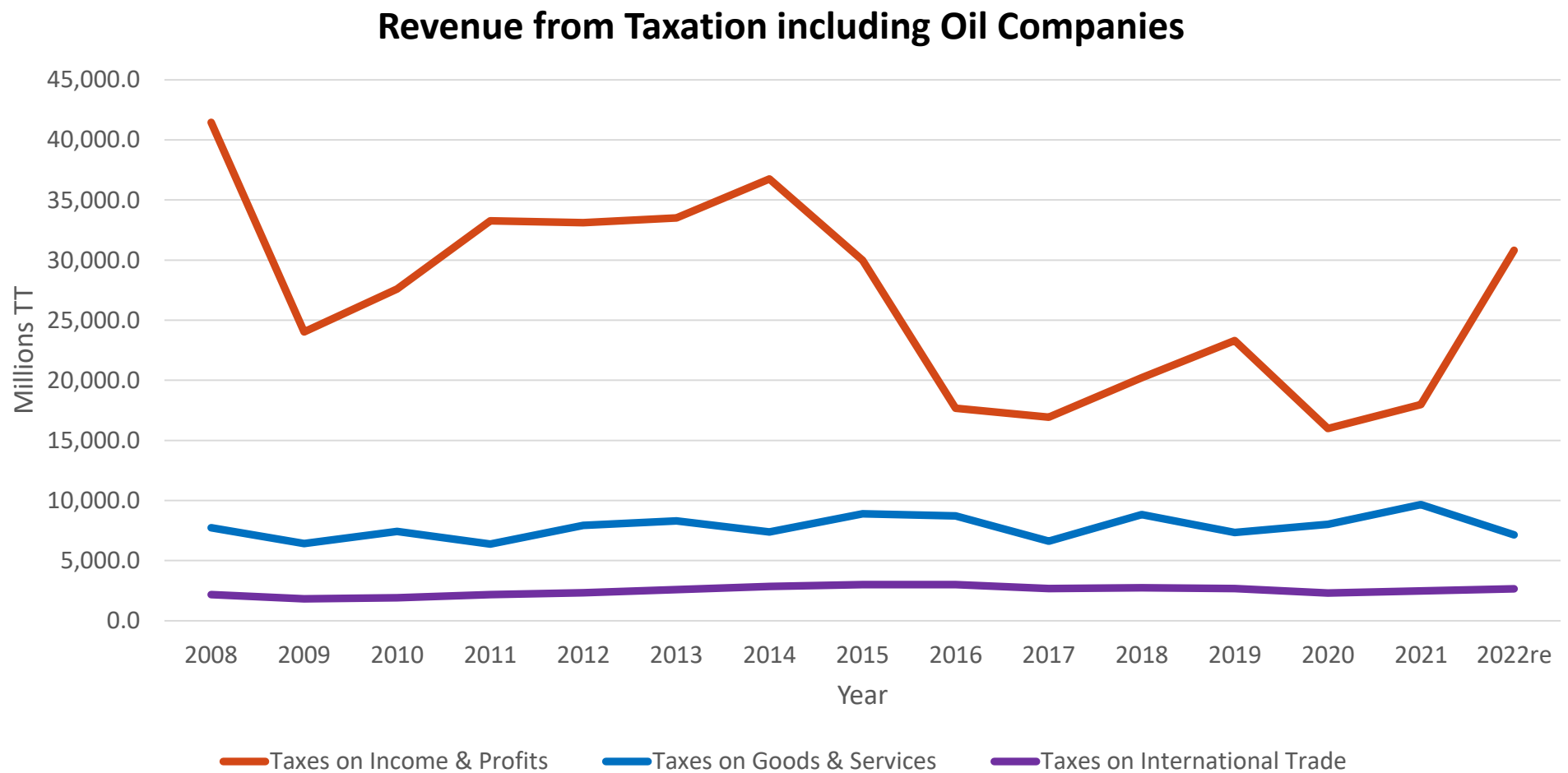


Taxes on Income & Profits: Companies (2008-2022)



Data Source: Budget Division, Ministry of Finance

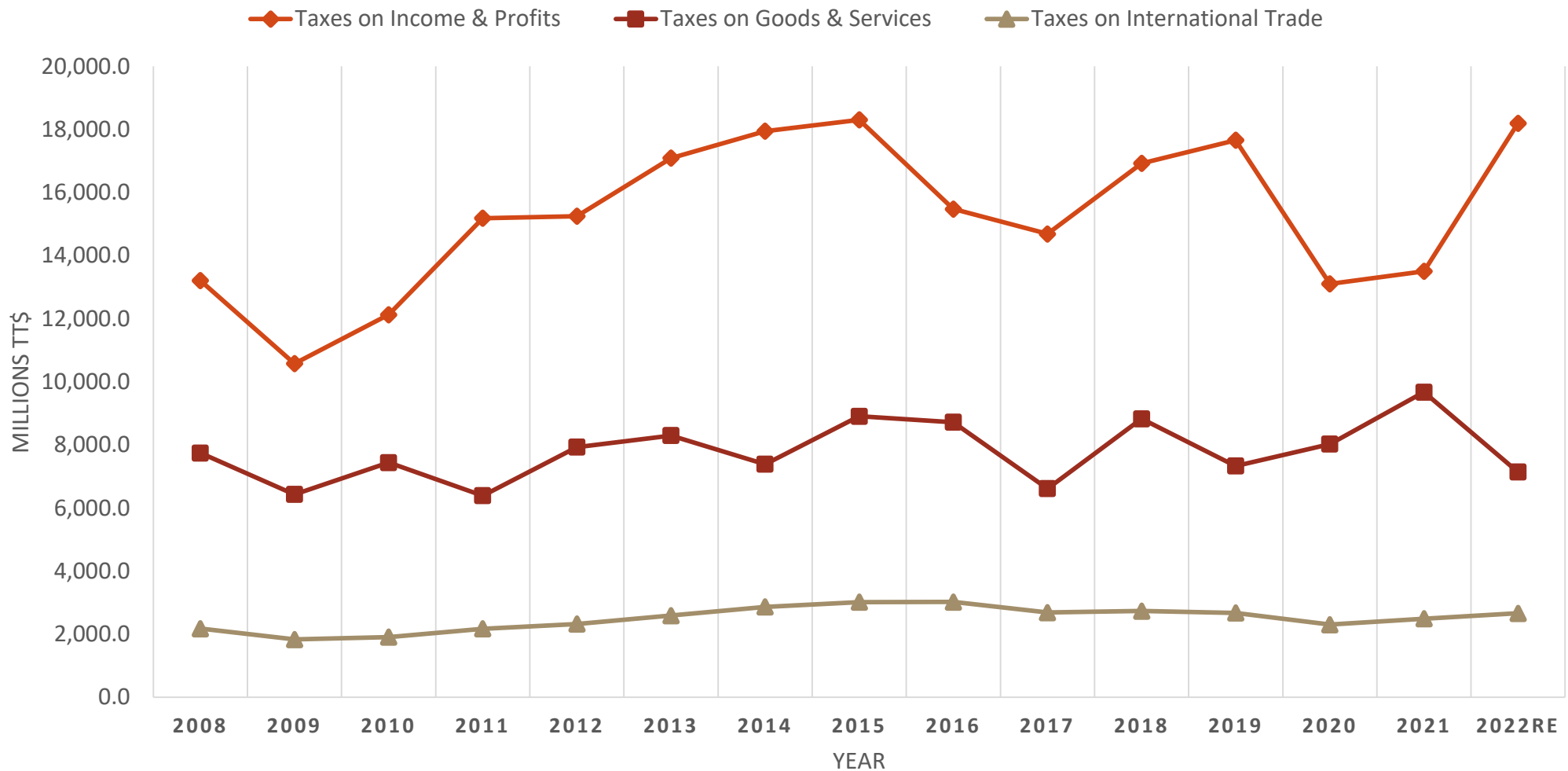
Revenue from Taxation (including oil companies) 2008 - 2022



Data Source: Budget Division, Ministry of Finance

Revenue from Taxation (excluding oil companies) 2008 - 2022

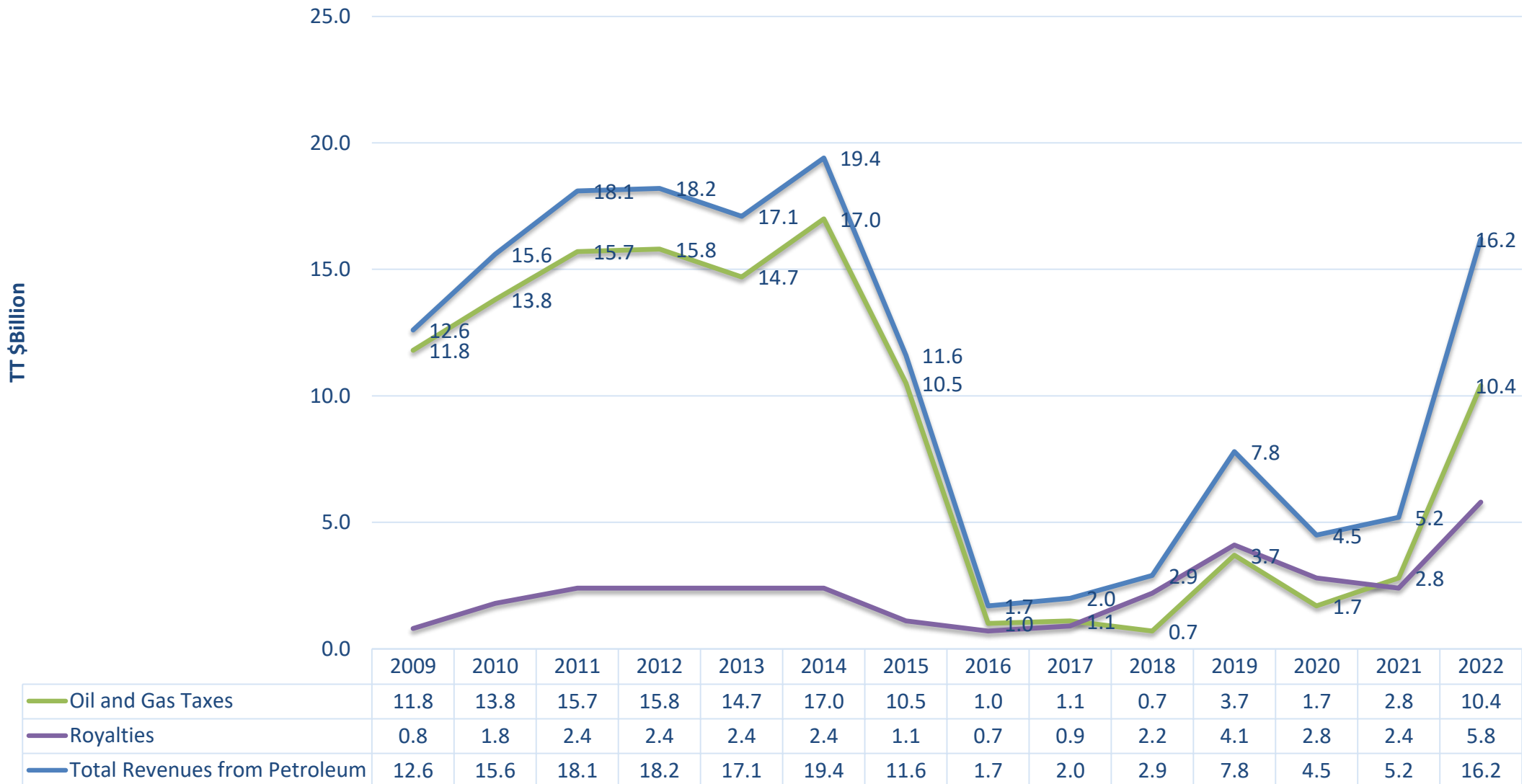
REVENUE FROM TAXATION EXCLUDING OIL COMPANIES



Note: Withholding Tax under Taxes on Income & Profits was calculated by the total tax collected minus the industry share of Withholding Tax collected by Oil & Gas exploration and production companies.

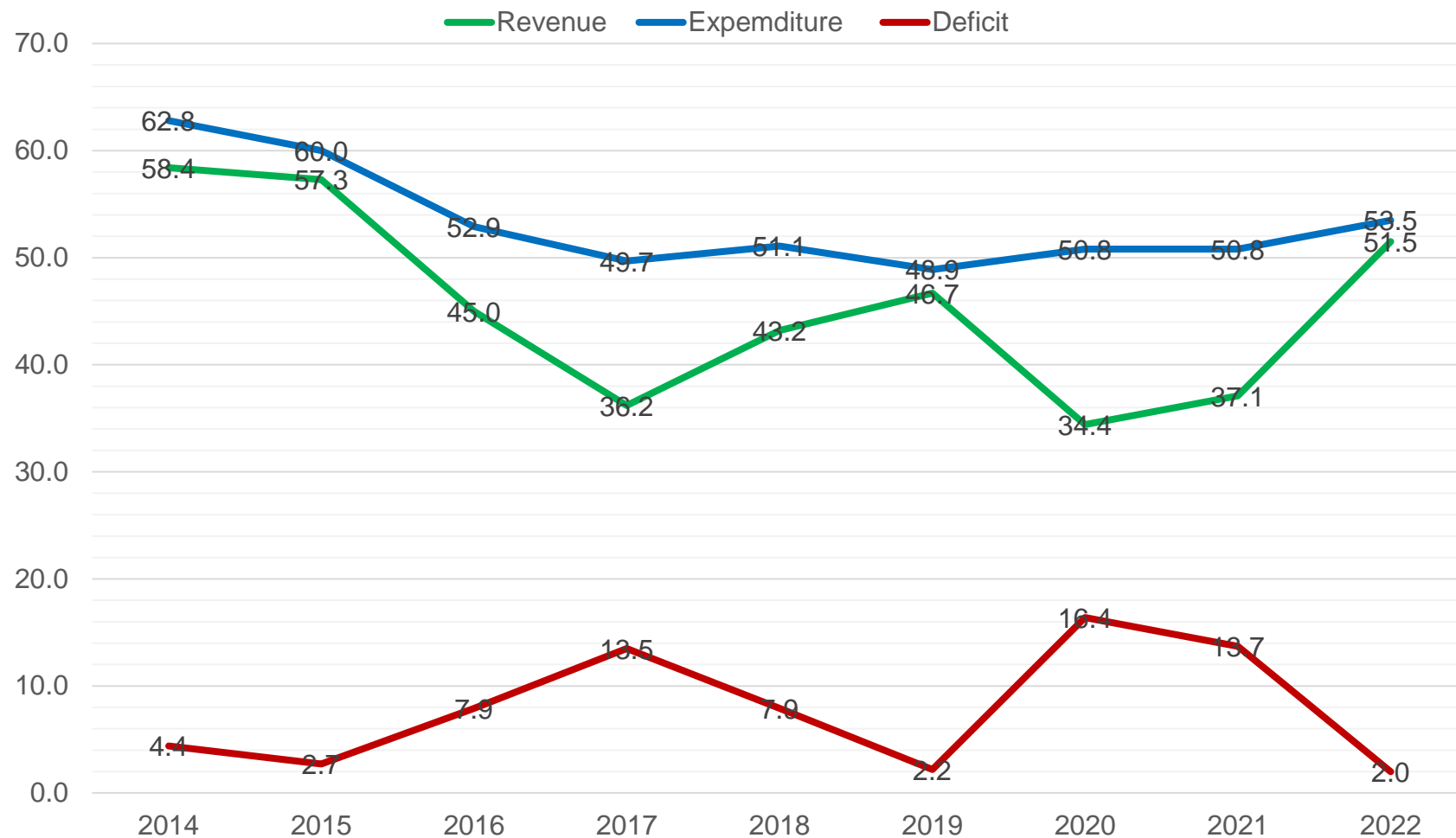
Actual Collections – Taxes & Royalties

Oil and Gas Taxes and Royalties \$B



Revenue and Expenditure \$B

2014-2022

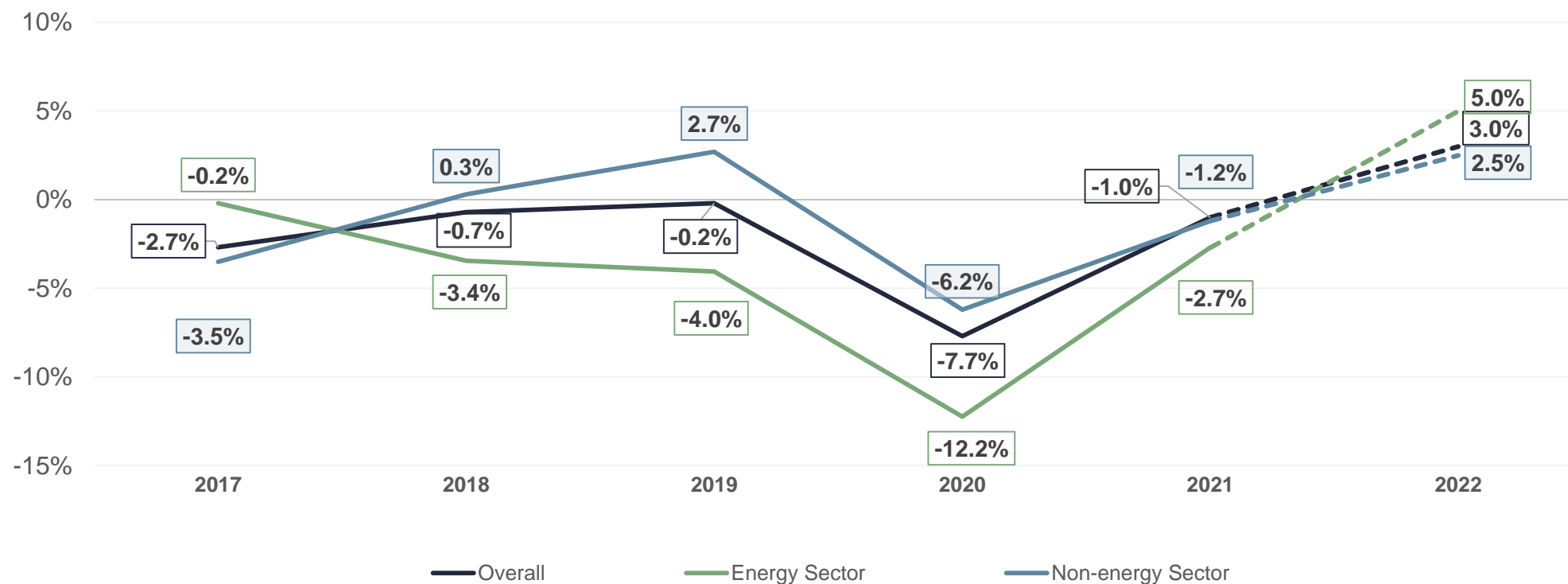


5 Our policies have supported a broad-based and robust recovery of the Trinidadian economy...

Supportive measures, combined with the resumption of business activity and the global economic rebound paved the way for a strong recovery, in all economic sectors

The economy of Trinidad & Tobago has experienced a broad-based recovery

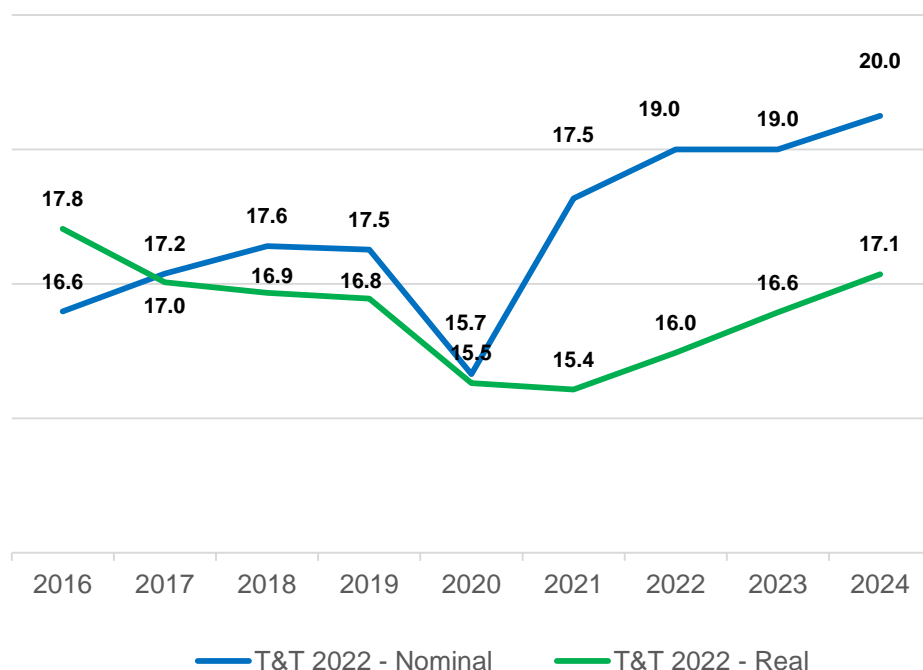
Real GDP growth, %



6 ...resulting in an improvement of key rating drivers of Trinidad and Tobago...

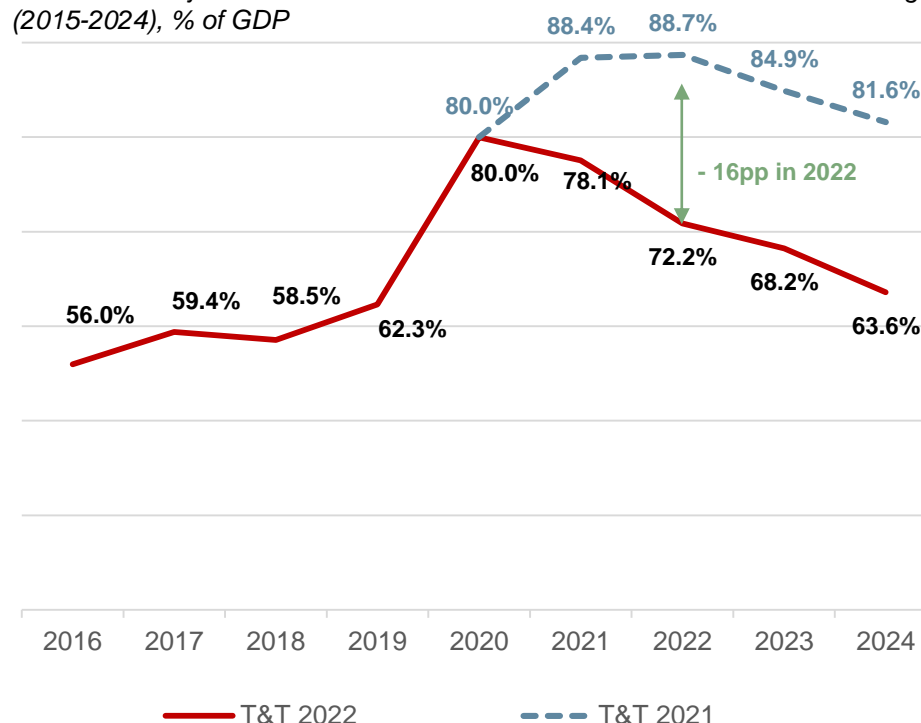
GDP/capita trend on the way up

Evolution of GDP per capita¹ in Trinidad and Tobago (2016-2024), '000 USD, end of year



Debt/GDP trajectory: from stabilization to marked reduction

Evolution of Adjusted General Government debt stock² of Trinidad and Tobago (2015-2024), % of GDP

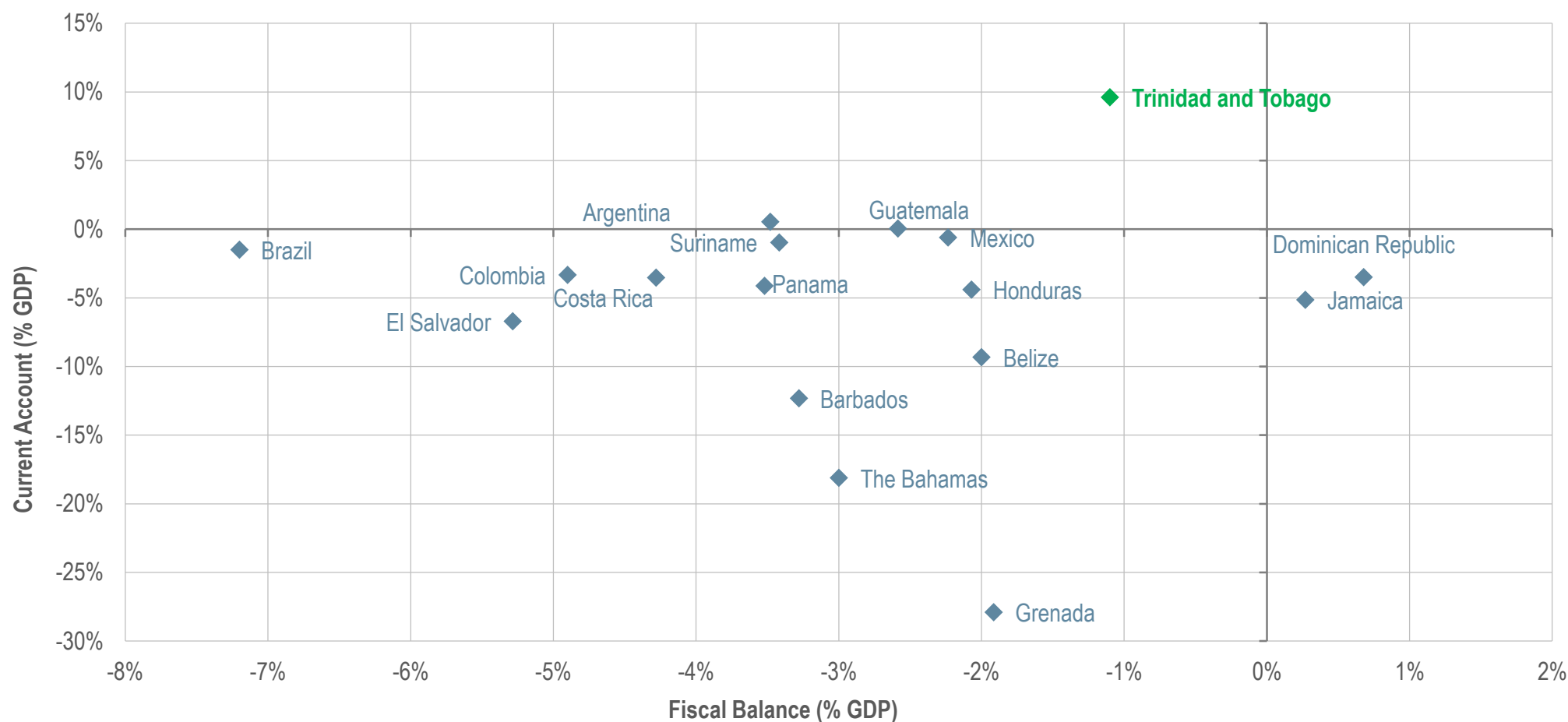


(Some) analysts expected a continuous deterioration/erosion of our growth potential, of our buffers, and of our Debt to GDP trajectory. In fact, the opposite is now happening: Trinidad & Tobago is benefiting from a strong and broad-based rebound of the economy, and we are experiencing an inversion of the key rating metrics

7 ...and revealing a previously underestimated financial resilience (1/4)

Trinidad & Tobago stands out in the region by combining a moderate fiscal deficit with a strong current account surplus

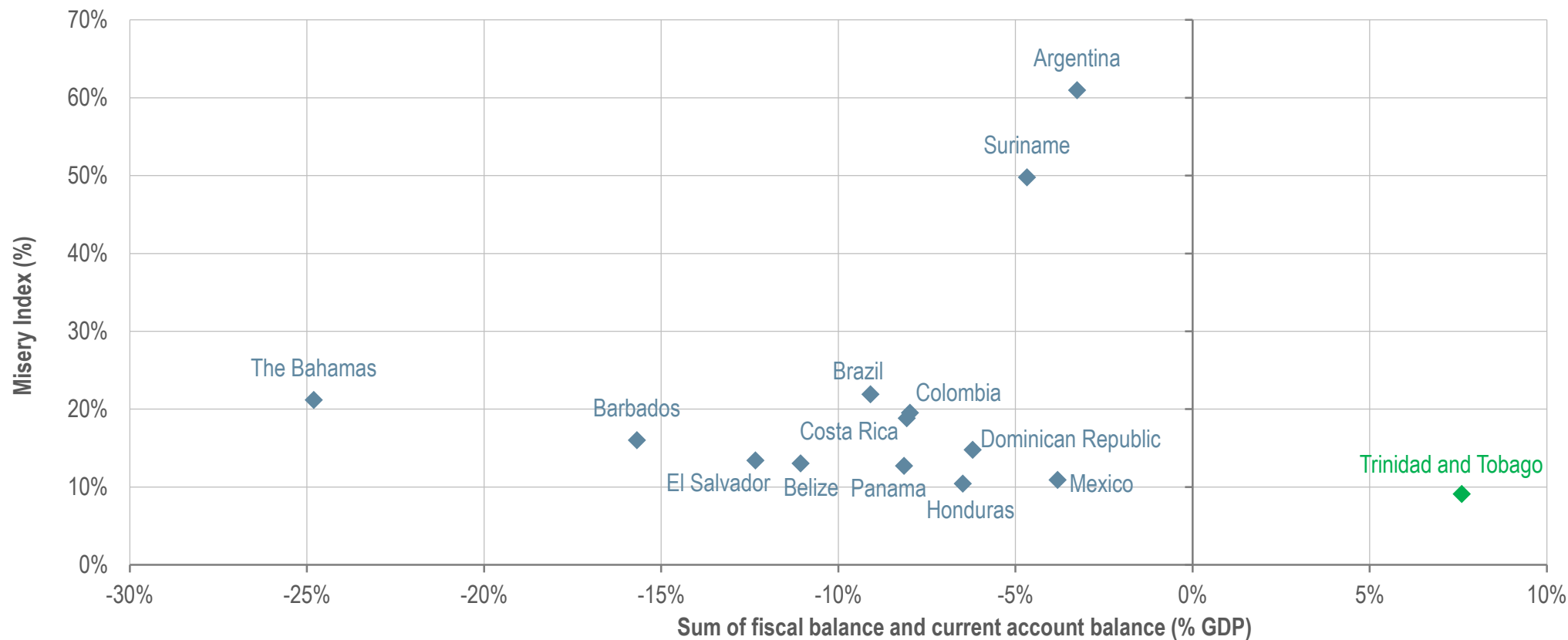
Current Account vs. Fiscal Balance of selected economies in Latin America and the Caribbean (2022E)



7 ...and revealing a previously underestimated financial resilience (2/4)

Trinidad & Tobago stands out as a low-pressure economy

“Misery Index” (Unemployment + Inflation) vs. Twin Deficits (Current and Fiscal Balances) of selected economies in Latin America and the Caribbean (2022E)



7 ...and revealing a previously underestimated financial resilience (3/4)

Improved external outlook combined with recent market developments mitigate potential overvaluation concerns and provide comfort to the stability of T&T's FX regime

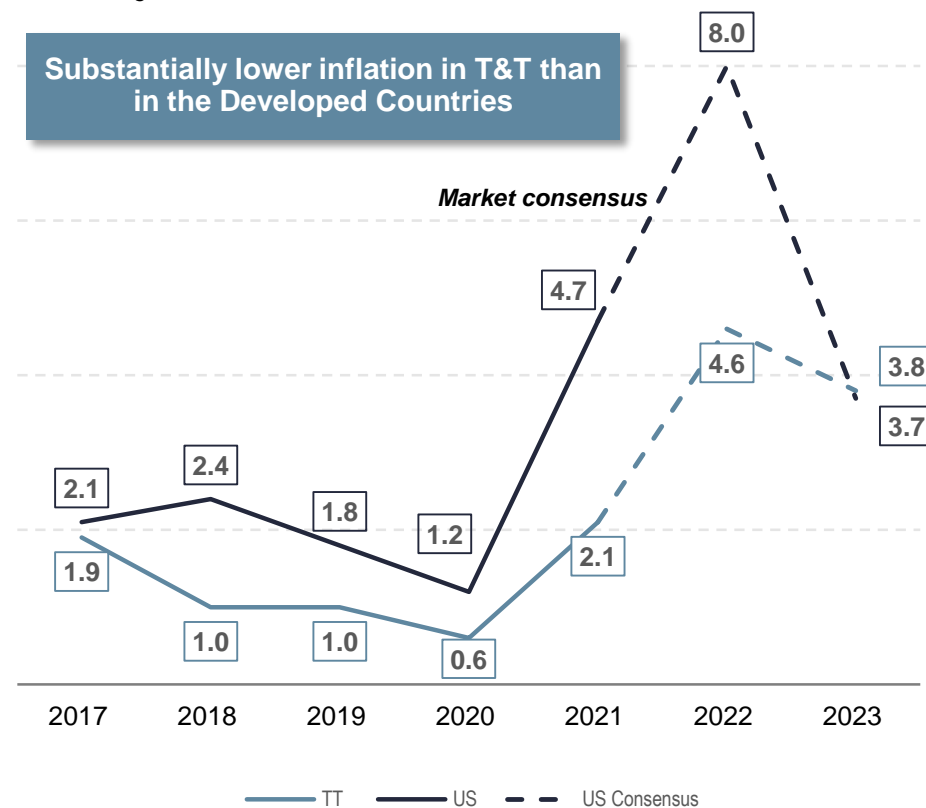
Trade Weighted Real and Nominal Effective Exchange Rates (2016-2022)

• In Index Value



Inflation in Trinidad and Tobago and in the US (2017-2023f)

• In % change



At times of high uncertainty, the FX regime has shielded the country from volatility on the markets. This anchor has allowed to provide monetary stability and is proving to be a formidable tool as inflation is bursting in all major economies

7

...and revealing a previously underestimated financial resilience (4/4)

The IMF lauded our management of the pandemic



“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 current fiscal and monetary policy stances are appropriate.

“A strong economic recovery is projected for 2022

IMF, ARTICLE IV FOR TRINIDAD & TOBAGO, JANUARY 2022

S&P confirmed our "stable" rating in the IG category

STANDARD & POOR'S
RATINGS SERVICES

BBB- (Negative)

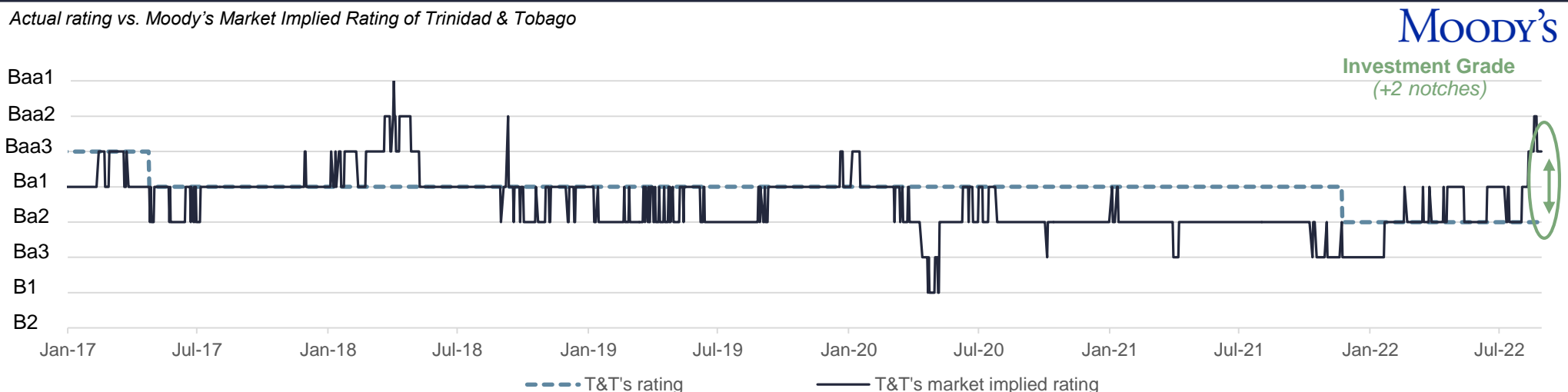
Publication date: 27 July
2021

BBB- (Stable)

Publication date: 21 July
2022

Moody's Market Implied rating places Trinidad & Tobago in the investment grade category

Actual rating vs. Moody's Market Implied Rating of Trinidad & Tobago



Total Government Fuel Subsidy Liability

Month	Total Government Fuel Subsidy for FY 2022 (\$)	Total Government Fuel Subsidy 2023 (\$)
Oct	138,925,555.98	181,844,272.63
Nov	125,740,943.85	181,844,272.63
Dec	125,268,008.46	181,844,272.63
Jan	133,024,905.93	181,844,272.63
Feb	173,933,032.61	181,844,272.63
Mar	309,560,809.98	181,844,272.63
Apr	284,458,409.56	181,844,272.63
May	310,130,208.11	181,844,272.63
Jun	341,847,953.87	181,844,272.63
Jul	339,346,336.75	181,844,272.63
Aug*	181,844,272.63	181,844,272.63
Sep*	181,844,272.63	181,844,272.63
Total	2,645,924,710.35	2,182,131,271.51

Notes: (1) * denotes estimated value

(2) The estimated government subsidy liability shown for the remainder of FY 2022 and FY 2023 was based on US\$07.50 per barrel of oil

Public Sector Wage Negotiations

The current offer of 4% over the period 2014-2019 for the mainstream Public Service will cost **\$2.43 Billion** in arrears (backpay) calculated up to June 2023. The additional annual recurrent cost will be **\$490 Million**.

If this offer is extended to the wider State Sector, the cost will almost double to **\$4.66 Billion** in arrears (backpay) calculated up to June 2023. The additional annual recurrent cost will be **\$968 Million**

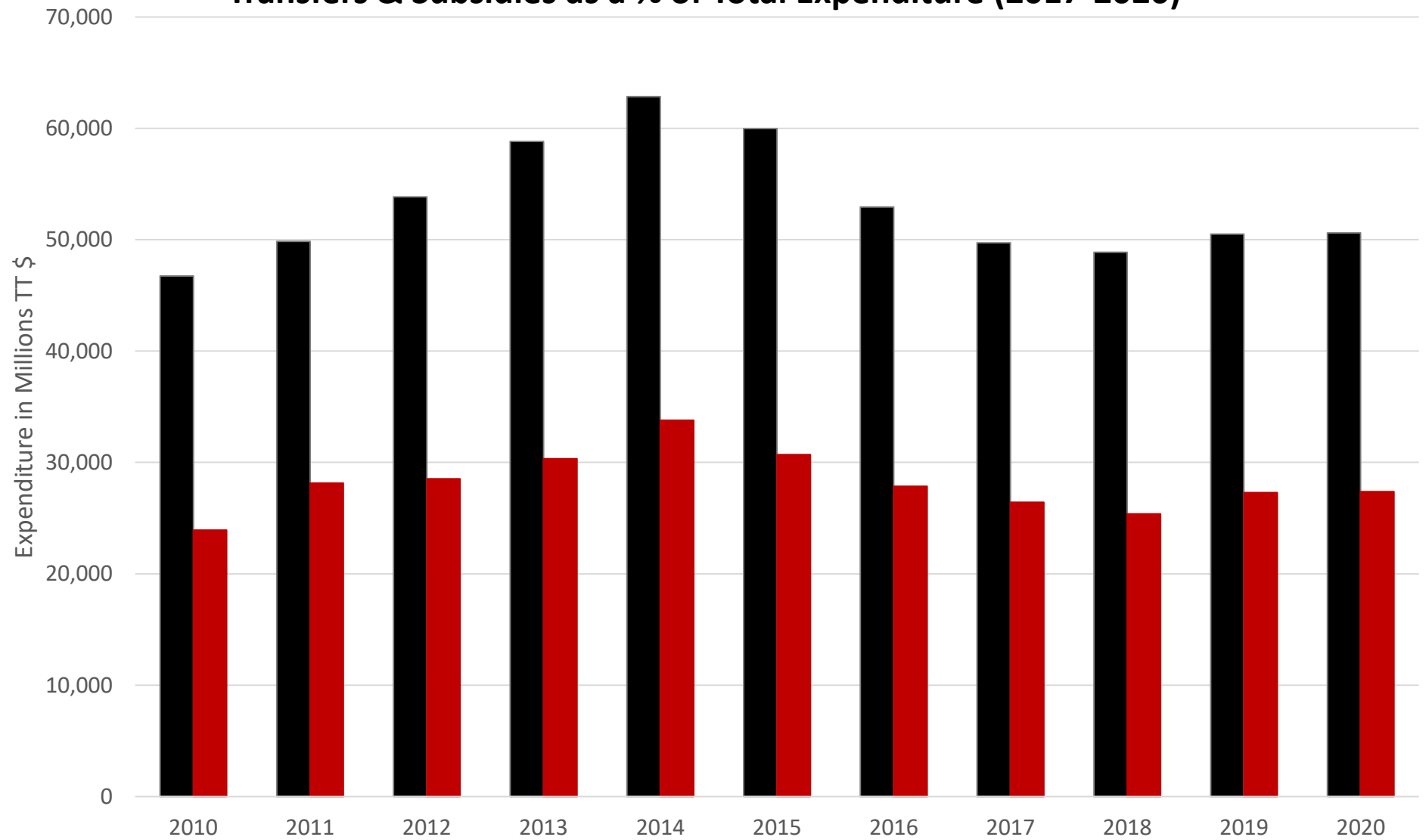
Difficult as it may be, the Government is committed to raising these funds and making these payments

However, by way of example, the PSA has asked for a 19% increase just for the period 2014-2016. If accepted, this would cost **\$15.8.Billion** in arrears (backpay) up to June 2023. The additional annual recurrent cost would be **\$1.8 Billion**.

If the PSA proposal was extended to the wider State Sector this would cost **\$30.3 Billion** in backpay up to June 2023. The additional annual recurrent cost would be **\$3.4 Billion**

This level of increased expenditure is not possible

Transfers & Subsidies as a % of Total Expenditure (2017-2020)



Data Source: Budget Division, Ministry of Finance

Some Major Areas of Expenditure

Social Grants – Over \$5 Billion per year

Subsidising WASA – Over \$2 Billion per year

Fuel Subsidy – Over \$2 Billion in 2022

Subsidising Electricity - \$700 Million per Year

8 Transforming the current momentum into structural achievements

We are committed to the four pillars of our macroeconomic strategy

Holding the line on the fiscal reforms agenda

- We are targeting a primary surplus by 2023 and overall surplus in 2024, in line with our medium-term fiscal responsibility approach that relies on both revenue-enhancement measures and a decrease in transfers and subsidies, concomitant with an increase in capital expenditure to boost growth

Pursuing the diversification of the economy and engaging in structural reforms

- The GoRTT is firmly committed to implement reforms to diversify its domestic economy and boost non-energy sector growth
- Over the last years, the GoRTT has also achieved significant progress in enhancing public data quality and transparency

Strengthening our buffers

- Improved external outlook combined with recent market developments mitigate potential overvaluation concerns and provide comfort to the stability of T&T's FX regime
- Both the current and financial accounts returned to comfortable surplus levels, in which they are expected to remain in the next years. This, and our prudent policies, will enable us to keep strengthening our buffers

Maintaining a prudent financing strategy

- Trinidad and Tobago benefits from many financing options which allows it to devise the appropriate funding strategy based on market context and policy objectives

10 Conclusion - The way forward

- We cannot lower the guard in light of the face of such an unusual degree of uncertainty in the world economy. Commodity prices are showing extreme volatility
- Trinidad & Tobago must resolve emerge from the current international economic crisis stronger, because a more resilient economy is an economy that is able to take care of its population across cycles
- The scale of the government's emergency economic support has fostered a strong recovery and helped Trinidad and Tobago businesses to weather the pandemic
- Trinidad and Tobago is benefiting from improved terms of trade following the spike in hydrocarbon prices
- The exchange rate policy protects our people from high inflation: Trinidad and Tobago's inflation rate is one of the lowest in the world today (half that of the US, where in June the annual inflation rate reached a 40-year high of 9.1%)
- Now is the time to build on the resilience we have shown together. And focus, with smart investments, on growing our economy in an inclusive way.