KEY ECONOMIC INDICATORS:

- BALANCE OF PAYMENTS
- NET OFFICIAL RESERVES

Ministry of Finance
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Balance of Payments

Key Definitions:

The Balance of Payments is a statement that summarises economic transactions between residents and non-residents during a specific time period. Residence is defined in terms of the centre of predominant economic interest of the transactors. An institutional unit (e.g. household, corporation, government, non-profit institutions serving households) is resident in the domestic economic territory if its centre of predominant economic interest is in the domestic economic territory. An institutional unit is a non-resident when its centre of predominant economic interest lies outside the domestic economic territory.

The **current account balance** is the difference between the sum of exports and income receivable and the sum of imports and income payable (exports and imports refer to both goods and services, while income refers to both primary and secondary income). It shows flows of goods, services, primary income and secondary income between residents and non-residents.

The **Primary Income** account shows primary income flows between residents and non-residents. Primary income represents the returns for contributions to the production process or for the provision of financial assets and renting natural resources. It includes:

- Compensation of employees – wages, salaries and other benefits, in cash or in kind, earned by individuals for work performed for economic units whose place of residence is different from their own.
- Investment income – the returns for providing financial assets.

The **Secondary Income** account shows current transfers (cash or kind) between residents and non-residents. Current transfers directly affect the level of disposable income and influence the consumption of goods or services. That is, current transfers reduce the income and consumption possibilities of the donor and increase the income and consumption possibilities of the recipient. Examples of secondary income are personal remittances from migrant workers, grants from foreign governments as well as foreign aid.

The **capital account** shows capital transfers receivable and payable between residents and non-residents and the acquisition and disposal of non-produced, nonfinancial assets between resident and non-residents.

Nonfinancial Assets are all economic assets other than financial assets, which do not represent claims on other units, but are stores of value and provide benefits either through their use in the production of goods and services or in the form of property income.

The **financial account** records transactions with non-residents that involve financial assets and l**iabilities**. A positive sign (interpreted as a net outflow) means that, in net terms, Trinidad and Tobago supplies funds to the rest of the world (a negative sign means the opposite- a net inflow and Trinidad and Tobago borrows funds from the rest of the world). Net balances are shown for each functional category of the financial account. These net balances are derived as the net acquisition of assets less net incurrence of liabilities within each specific functional category.

Financial Assets are economic assets[1] that are financial instruments. Financial assets consist of equity and investment fund shares, debt instruments, financial derivatives and employee stock options, and monetary gold.

A **Financial Liability** is an obligation by one economic unit (the debtor) to provide payment or other economic benefits to another unit (the creditor), as specified by a contract or other agreed-upon terms. These financial claims are the counterpart to financial assets held by the creditor, and include obligations such as debt securities, loans, cash and deposits, and provisions for standardized guarantees.

The **overall balance** is equal to the change in reserves and related items (IMF credit and loans and exceptional financing).

Trends (2014- Q1 2025)

Trinidad and Tobago's Balance of Payments registered a turnaround from a surplus of US$ 1,321.3 million in calendar 2014 to a deficit of US$653.6 million in calendar 2024. Following the surplus in 2014, Trinidad and Tobago's Balance of Payments registered consistent deficits to the most recent period, with the exception of a small surplus (0.1 percent of GDP) in 2020. *Notably, the latest quarterly data from the Central Bank of Trinidad and Tobago depict a narrowing of the Balance of Payments deficit to US$332.3 million in the first quarter of 2025, from a deficit of US$736.1 million in the same quarter of 2024.*

Initiating this outturn was a smaller Current Account outturns, from the surplus of US$4,154.5 million in 2014, with the exception of 2022 where a surplus of US$4,966.9 reported. In 2024, the Current Account surplus was 70.3 percent (US$1,232.9) lower than the 2014 value. Quarter on quarter, the surplus on the Current Account contracted from USS$614.4 million in the first quarter of 2024, to US$484.3 million in the same period of 2025.

The Financial Account reported fluctuating balances during the period. In 2014, a deficit of US$77.2 million was registered, while a surplus of US$1,452.8 million was reported in 2024. Similar to the Current Account, the surplus on the Financial Account fell from US$1,307.6 million in quarter 1 in 2024, to US$504.9 million in quarter 1 of 2025.

[1] Economic assets are resources over which ownership rights are enforced, and from which future economic benefits may flow to the owner.

Net Official Reserves

Key Definitions:

Foreign reserves refer to those external assets denominated in currencies other than the TT dollar that are readily available to and controlled by the Central Bank for meeting balance of payments financing needs, for intervention in the domestic foreign exchange market to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing). In other words, any financial asset, for example physical cash, gold, government securities (e.g. treasury bills and bonds), reserve holdings at the IMF as well as deposits held in financial institutions abroad, would form part of the Bank's foreign reserves.

The **import cover** is one indicator used to measure the adequacy of a country's international reserves. It essentially computes the number of months the country's reserves would last if used to fund future (prospective) imports. The international benchmark requires countries to have at least three months of import cover and six months for oil-exporting nations.

Trend from 2014-August 2025

Net Official Reserves mostly followed a downward trajectory, falling from US$11,497.1 million in 2014 (equivalent to 12.9 months of import cover) to US$5,604.3 million (equivalent to 8.0 months of import cover) in 2024. According to the most recent data from the Central Bank, reserves fell further to US$4,610.1 million (equivalent to 5.4 months of prospective import cover) as at August 2025.

Source: Economic Management Division (EMD)