

Country Insight Snapshot Trinidad and Tobago

January 2016





OVERVIEW

OVERALL COUNTRY RISK RATING: DB4B

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook:

Stable



CORE OUTLOOK

+ Certain non-energy sectors (particularly construction, finance and distribution) show the potential to supercede natural resource extraction as the main contributors to medium- and long-term growth.

+ The government continues to strive for a favourable business environment and will seek to boost growth in the non-energy sector.

- Long-term business planning will be compromised by a vulnerability to negative exogenous shocks, particularly protracted declines in hydrocarbon prices.

- Until addressed, government bureaucracy, rising levels of violent crime and labour-market inefficiencies will undermine productivity and competitiveness.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Trinidad and Tobago's country risk rating as the economy contracts due to the collapse in hydrocarbon prices.

CREDIT ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

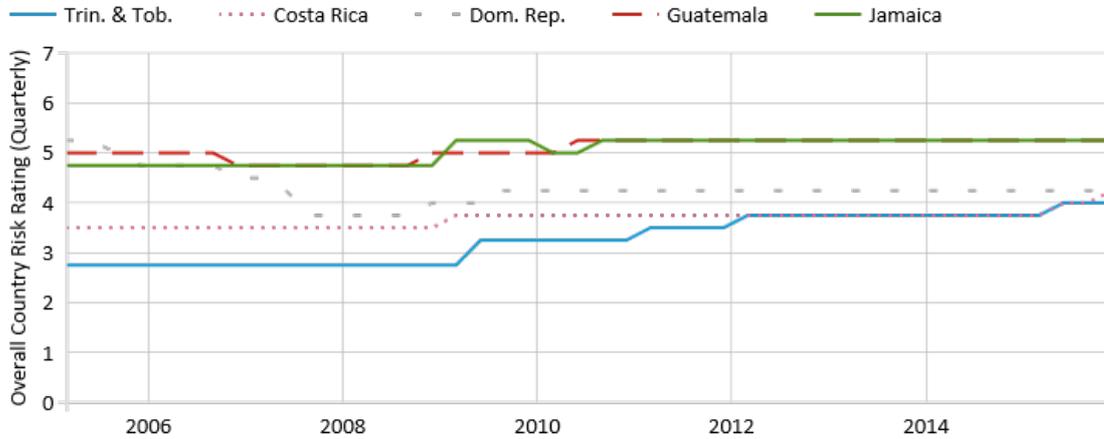
A

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

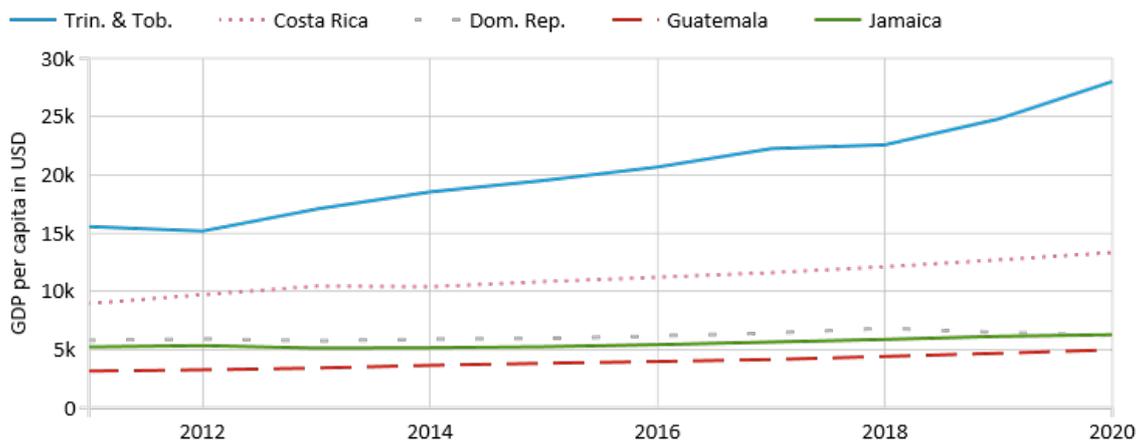
Rating History and Comparison



Source : Dun & Bradstreet

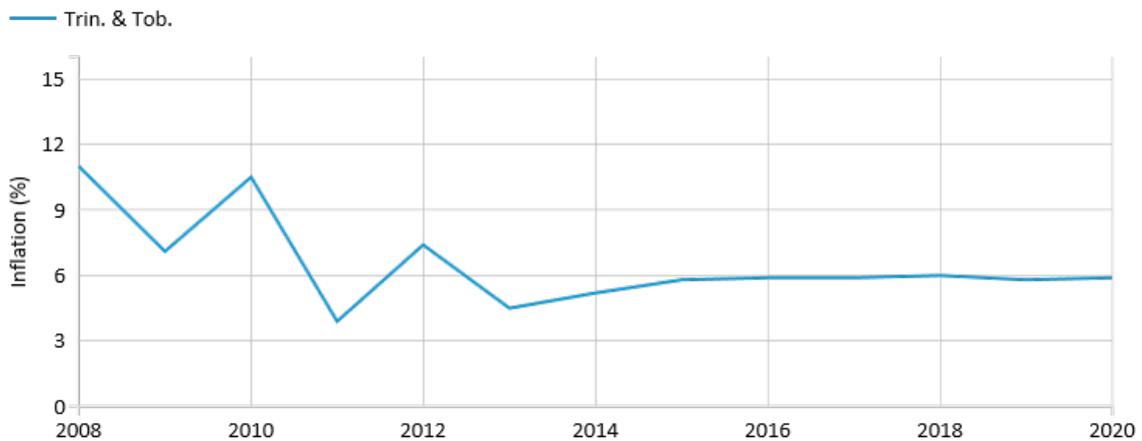
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Inflation (%)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	7.7	5.2	-1.9	-0.7	-0.7	4.1	3.8	3.9
Govt balance, % GDP	-2.0	-4.0	-6.0	-7.0	-7.9	-7.6	-7.8	-8.1
Inflation, annual avge %	4.5	5.2	5.8	5.9	5.9	6.0	5.8	5.9
Real GDP Growth, %	2.1	0.8	-1.5	-1.0	0.9	1.2	1.4	1.5
Unemployment, %	3.7	3.3	3.7	4.0	3.8	3.7	3.7	3.7

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Net official reserves totalled USD9.79bn at end-December 2015 which is equivalent to 11 months of import cover; this represents a 13% y/y decline. A gradual decline in reserves is expected this year as the natural gas price (Henry Hub) is expected to remain flat at USD2.73 per one million British Thermal Units in 2016. Consequently, the TTD will be allowed to weaken moderately to defend the reserves position; the TTD weakened by 0.76% y/y against the USD in December 2015. Notably, this will increase the probability of debt-servicing problems for firms with USD-denominated debt, while manufacturers of products with high import content could face narrower margins. The risk of non-payment and payment delays by local counterparties are elevated and we recommend the use of LC terms.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

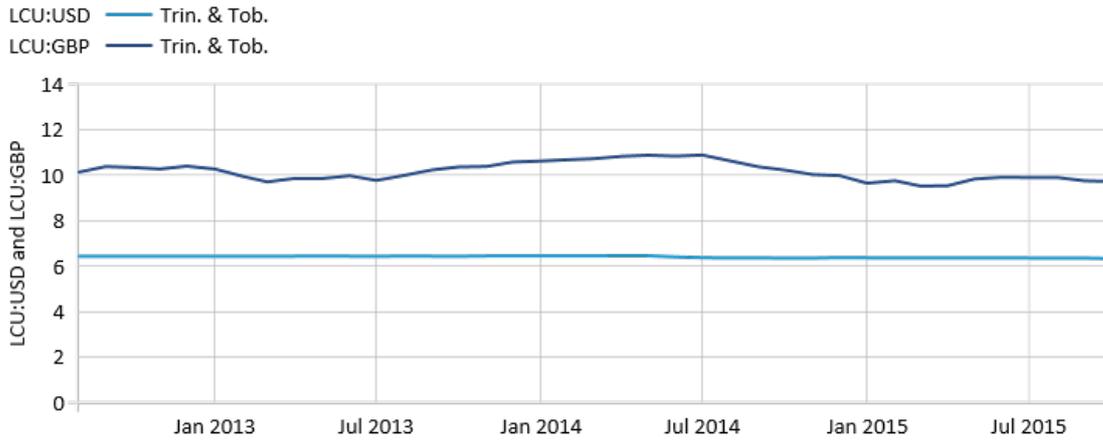
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



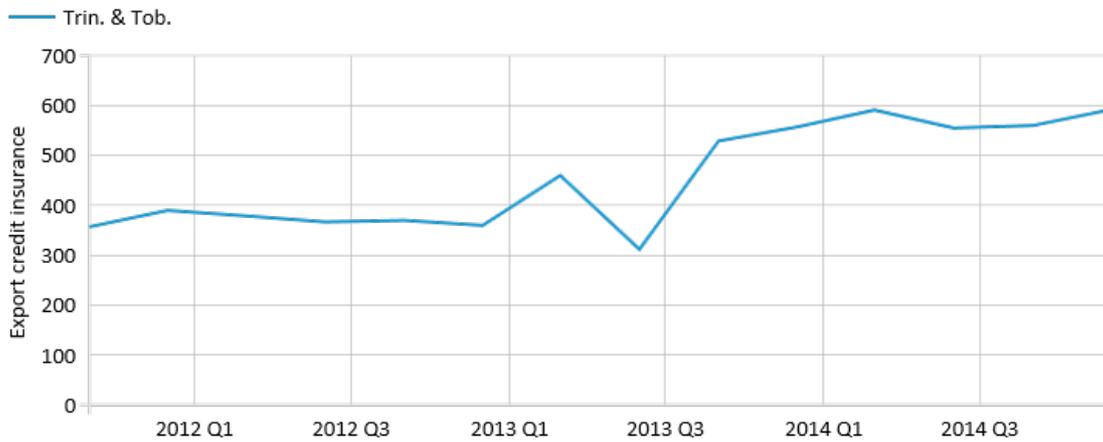
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

We have downgraded Trinidad and Tobago's risk rating by one quartile to DB4b as real GDP is projected to contract by 1% this year on account of the protracted collapse in hydrocarbon prices. For the first three quarters of 2015 the economy contracted by 1.5%, 2.2% and 2.0% respectively, leading to a provisional estimate of -1.5% growth for the year. The steady decline in energy prices combined with a 3.5% y/y fall in energy output and a 0.8% y/y contraction in non-energy output were the key contributors of the quarterly GDP declines. Consequently, planned government expenditure has been trimmed as state bodies have been mandated to cut expenses by 7%. At the same time government will be implementing new measures to widen the tax net. These include reinstatement of the property tax in February as well as increases in the green fund levy and business levy. Firms are advised to take account of the impact of these new tax requirements on operating costs in the current fiscal year.

Meanwhile borrowing costs are expected to edge up as the 'repo' rate was again hiked by 25 basis points to 4.75% in December; this is the eighth consecutive increase since the central bank initiated its tightening cycle in September 2014. While the poor growth outlook is likely to lead to a pause in the current monetary tightening cycle, a further rate hike cannot be ruled out if inflationary pressures return in Q1 and/or the US central bank raises the Fed Funds rate. Firms trading with local counterparties should note that delays in payments could rise in the near term given a more challenging credit environment.

Relatedly, headline inflation fell to 1.4% in November from 5.6% in June 2015 as the central bank engaged in monetary tightening. However, we expect an uptick in consumer prices in the next few quarters with the implementation of a 12.5% VAT which will apply to a wider range of goods. Consequently, we expect an easing in private domestic consumption as households adjust their consumption patterns in response to lower purchasing power and higher lending rates.

Business Environment Quality

Ease of doing business declines

Trinidad and Tobago's ranking in the World Bank's 2016 *Doing Business* report deteriorated by three places to 88th (out of 189 economies); particular areas of difficulty were dealing with construction permits (144), property registration (151), enforcing contracts (167), trading across borders (114) and paying of taxes (114). According to the World Economic Forum's (WEF) 2015-16 *Global Competitiveness* report, a poor work ethic, corruption, crime and access to financing are among the most problematic factors for doing business in Trinidad. Meanwhile firms are advised to monitor the implementation of a revenue authority, which will replace the Board of Inland Revenue and the Customs and Excise Department in 2016, the creation of which will likely streamline tax payments and returns and expedite the payment and remission of duties.



COUNTRY PROFILE AND STATISTICS

Overview

Trinidad and Tobago is made up of several islands in the southern Caribbean and is heavily industrialised, unlike most of its neighbours. The hydrocarbon sector is the main economic driver, with natural gas replacing oil as the main export produce since the early 1990s; the energy sector accounts for 45% of GDP. In 2013 Trinidad and Tobago was the largest exporter of liquefied natural gas (LNG) to the US, accounting for nearly three-quarters of US LNG imports that year; it is the sixth-largest exporter of LNG globally. The main non-energy sectors are tourism, manufacturing and financial services.

Trinidad and Tobago's political environment is quite stable and is based on a parliamentary system fashioned after the British model. After gaining independence from Britain in 1962, successive governments have adopted and maintained a pro-investor stance, and have implemented policies aimed at encouraging FDI particularly in the hydrocarbon sector. Political party affiliation among the electorate largely follows ethnic lines. However, the rising crime rate has become a growing socio-economic concern, regardless of political leaning.

Key Facts

Key Fact	Detail
Head of government	Dr. Keith ROWLEY
Capital	Port of Spain
Timezone	GMT -04-00
Official language	English
Population (millions)	1.4
GDP (USD billions)	26.5
GDP per capita (USD)	19,522
Life expectancy (years)	70
Literacy (% of adult pop.)	98.9

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	-1.2	0.3	2.1	0.8	-1.5
Nominal GDP in USDbn	20.77	20.34	22.99	25.08	26.51
Nominal GDP in local currency (bn)	133	130	148	161	172
GDP per Capita in USD	15,567	15,183	17,077	18,548	19,522
Population (year-end, m)	1.33	1.34	1.35	1.35	1.36
Exchange rate (yr avge, USD-LCU)	6.4	6.38	6.43	6.44	6.47
Current Account in USDbn	2.58	0.8	1.76	1.3	-0.5
Current Account (% of GDP)	12.4	3.94	7.65	5.18	-1.89
FX reserves (year-end, USDbn)	9.82	9.2	9.99	11.9	9.73
Import Cover (months)	13.5	10.4	12	12.7	11
Inflation (annual avge, %)	3.9	7.4	4.5	5.2	5.8
Govt Balance (% GDP)	-0.7	-0.2	-2	-4	-6

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	-1	0.9	1.2	1.4	1.5
Nominal GDP in USDbn	28.2	30.5	31.1	34.3	38.9
Nominal GDP in local currency (bn)	182.8	197.61	200.16	220.78	250.4
GDP per Capita in USD	20,682	22,259	22,587	24,806	28,013
Population (year-end, m)	1.4	1.4	1.4	1.4	1.4
Exchange rate (yr avge, USD-LCU)	6.5	6.5	6.4	6.4	6.4
Current Account in USDbn	-0.2	-0.2	1.3	1.3	1.5
Current Account (% of GDP)	-0.71	-0.66	4.05	3.79	3.86
FX reserves (year-end, USDbn)	9.5	9.5	10.3	10.8	11.1
Import Cover (months)	10.4	10.4	11.2	12	12.5
Inflation (annual avge, %)	5.9	5.9	6	5.8	5.9
Govt Balance (% GDP)	-7	-7.9	-7.6	-7.8	-8.1

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Trin. & Tob.	Costa Rica	Dom. Rep.	Guatemala	Jamaica
Income per Capita (USD)	19,522	10,847	5,965	3,839	5,257
Country Population (m)	1.4	4.8	10.5	16.3	2.8
Internet users (% of population)	65.1	49.4	49.6	23.4	40.5
Real GDP Growth (% p.a., 2016 - 2025)	2 - 5	3.4 - 6	2.4 - 5.8	2 - 5.5	-0.2 - 3.8

Source : Various sources/Dun & Bradstreet



LINKS

User Guide

Please [click here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.