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INFORMATION

March 29, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Trinidad and Tobago - Staff Report for the 1985 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1985 Article IV consultation with Trinidad and Tobago, which will be brought to the agenda for discussion on a date to be announced. A draft decision appears on page 22.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Loser, ext. 8373.

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INTERNATIONAL MONETARY FUND

TRINIDAD AND TOBAGO

Staff Report for the 1985 Article IV Consultation

Prepared by the Staff Representatives for the 1985 Consultation with Trinidad and Tobago

Approved by E. Wiesner and S. Kanesa-Thasan

March 27, 1985

I. Introduction

The 1985 Article IV consultation discussions with Trinidad and Tobago were held in Port-of-Spain during the period January 22 to February 8, 1985. The Trinidad and Tobago representatives in the discussions included the Minister of Finance and Planning; the Governor of the Central Bank; the Permanent Secretary of Finance and Planning; other high ranking officials in the key economic ministries, the Central Bank, public sector agencies and selected state enterprises; and representatives of various entities in the private sector. The staff mission consisted of Messrs. Loser (Head), Kimaro, and Budhoo, Mrs. Sosa (all WHD), Mr. Kohnert (FAD), and Mrs. Quelch (Secretary-WHD). The country continues to avail itself of the transitional arrangements of Article XIV.

The previous consultation discussions with Trinidad and Tobago were held in August-September 1983. The resulting reports (SM/83/231, 11/7/83 and SM/83/212, 10/31/83) were considered by the Executive Board on November 30, 1983 (EBM/83/165). Because of problems encountered in scheduling the mission, the current consultation has fallen outside the standard 12-month cycle. Trinidad and Tobago has not made recourse to Fund resources to date. As of February 28, 1985, the Fund's holdings of Trinidad and Tobago dollars amounted to SDR 43.0 million, or 25.3 percent of quota, and Trinidad and Tobago's holdings in the Special Drawing Rights Department stood at SDR 104.3 million, or 225.6 percent of net cumulative allocations. Further information on Trinidad and Tobago's relations with the Fund is presented in Appendix I.

II. Economic Background

1. Developments through 1983

In the period from 1974 to 1981, Trinidad and Tobago benefited from the rise of world prices for petroleum, which provided the basis for a rapid expansion in real incomes.1/ The Central Government registered large overall surpluses in this period, and the balance of payments strengthened considerably. By end-1981 net official international reserves had increased to US$3.4 billion, the equivalent of 20 months of imports. However, inflationary pressures emerged during these years, and the competitiveness of the non-oil economy was eroded, as domestic expenditure expanded rapidly and wage awards exceeded increases in productivity by a significant margin.

In 1982-83, as oil prices weakened in world markets and petroleum output continued to decline from the peak levels attained in 1978, Trinidad and Tobago began to face serious economic problems. While GDP increased by about 3 1/2 percent in 1982, it fell by 7 1/2 percent in 1983 (Table 1 and Chart 1), with the continued decline in petroleum output being accompanied by a fall in the nonpetroleum sector, as the economy became increasingly uncompetitive because of a real effective appreciation of the Trinidad and Tobago dollar.2/ At the same time, large public sector deficits resulted in aggregate expenditure significantly in excess of GDP, therefore exerting considerable pressures on the balance of payments.

The overall public sector position shifted from a surplus in 1981 to deficits of some 15 percent of GDP in 1982-83, as outlays rose and the decline in oil revenues more than offset increases in other revenues (Table 2 and Chart 2). Four fifths of the public sector deficit originated in central government operations, reflecting higher wage payments in the Central Government and increased transfers to cover operating losses and capital outlays of the nonfinancial public enterprises (NPEs). These transfers rose from the equivalent of about 12 percent of GDP a year during 1980-81 to nearly 17 percent in 1982, but declined to 14 percent in 1983 as capital expenditure was curtailed. Notwithstanding the substantial transfers, the financing requirements of the rest of the public sector remained high, at about 3 percent of GDP in 1982-83.3/

1/ Petroleum and petroleum products account for about 90 percent of exports, 50 percent of central government revenues, and 25 percent of GDP. Real GDP increased at an average annual rate of about 1 percent in 1980-81; real national income, adjusted for the terms of trade, is estimated to have increased at an annual average rate of over 7 percent.

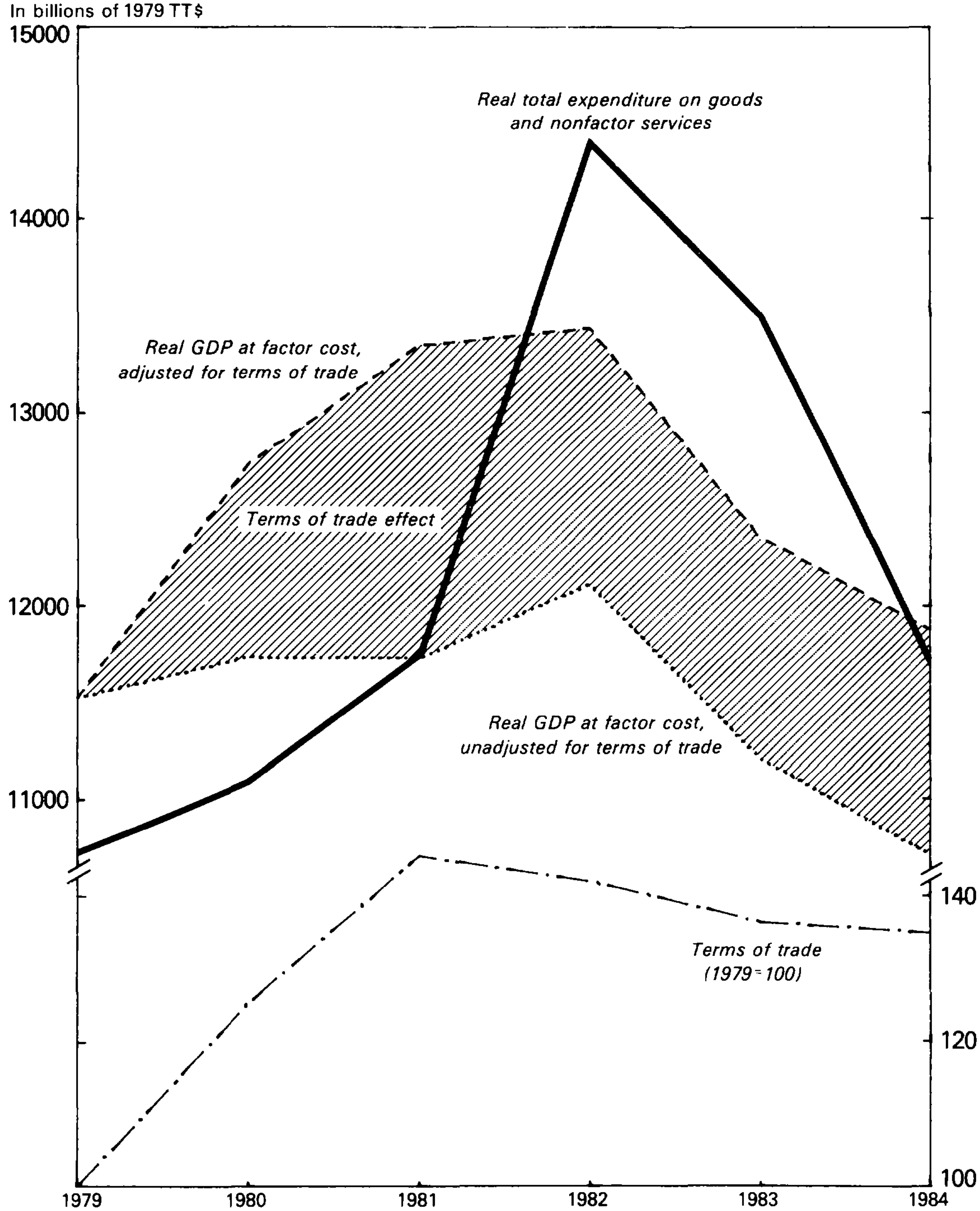
2/ Real GDP declined by 4 1/2 percent over the two years 1982-83, but because of adverse movements in terms of trade, real national income declined by a cumulative 7 1/2 percent.

3/ Difficulties are faced in analyzing the performance of the rest of the public sector because of the lack of comprehensive statistical coverage of the NPEs. However, information is available for the largest entities. The current status of economic statistics is described in Appendix II.

CHART 1

TRINIDAD AND TOBAGO

REAL GDP ADJUSTED FOR TERMS OF TRADE, TOTAL DOMESTIC EXPENDITURE, AND TERMS OF TRADE



Sources: Central Statistical Office; and Fund staff estimates

Table 1. Trinidad and Tobago: Selected Economic Indicators

	1980	1981	1982	1983	Prel. 1984
I. National Accounts					
(Annual percentage change)					
Real GDP at factor cost	1.9	0.1	3.3	-7.4	-4.4
Petroleum sector	(-1.6)	(-11.1)	(-4.9)	(-11.3)	(5.1)
Other sectors	(3.8)	(5.7)	(6.8)	(-6.0)	(-7.9)
Real GDP at factor cost adjusted for changes in terms of trade 1/	10.5	4.8	0.7	-8.1	-4.2
Nominal GDP at market prices	35.6	13.3	7.1	--	8.8
Total domestic expenditure	27.0	14.6	26.9	0.7	-0.1
(As percent of nominal GDP at market prices)					
Domestic consumption	52.0	55.8	66.0	71.7	70.6
Gross capital formation	35.1	32.3	38.4	33.5	26.0
Central Government	(4.8)	(6.4)	(10.3)	(7.8)	(5.2)
Other	(30.3)	(25.9)	(28.1)	(25.7)	(20.8)
Total domestic expenditure 2/	87.1	88.1	104.4	105.2	96.6
Gross national savings	40.4	37.2	28.1	19.7	18.2
II. Other Indicators					
(Annual percentage change, unless otherwise specified)					
GDP deflator	34.0	13.1	5.0	8.1	9.2
Retail price index (end of period)	16.6	11.6	10.8	15.4	14.1
Average weekly earnings in manufacturing 3/	22.8	20.6	17.2	18.4	14.1
Unemployment rate (as percent of labor force)	9.8	10.4	9.5	11.1	12.8

Sources: Central Statistical Office; and Fund staff estimates.

1/ The adjustment for the terms of trade was computed as the difference between merchandise export earnings deflated by import prices and merchandise export earnings deflated by export prices, with 1979 as the base for the deflators.

2/ Excludes net factor payments abroad.

3/ All industries, including oil and sugar.

Table 2. Trinidad and Tobago: Nonfinancial Public Sector Operations

	1980	1981	1982	1983	Prel. 1984	1985 Budget	1985 Est.
	(In millions of Trinidad and Tobago dollars)						
Central Government 1/							
Total revenues	6,433	7,100	7,061	6,556	6,498	7,606	7,314
Petroleum revenues	(4,136)	(4,253)	(3,311)	(2,485)	(2,715)	(2,586)	(2,548)
Nonpetroleum revenue	(2,297)	(2,847)	(3,750)	(4,071)	(3,783)	(5,020)	(4,766)
Income tax	/1,093/	/1,465/	/2,237/	/2,349/	/2,232/	/2,636/	/2,479/
Other taxes	/708/	/796/	/937/	/1,098/	/1,151/	/1,884/	/1,787/
Nontax revenues	/496/	/586/	/576/	/624/	/400/	/500/	/500/
Total expenditure	5,365	6,654	9,476	8,770	8,066	8,728	8,976
Current expenditure	(2,919)	(3,403)	(5,773)	(6,061)	(5,932)	(7,182)	(7,133)
Wages and salaries	/1,077/	/1,132/	/2,524/	/2,181/	/2,340/	/2,530/	/2,734/
Transfers and subsidies	/1,428/	/1,617/	/2,449/	/3,065/	/2,751/	/3,473/	/3,272/
Other	/414/	/653/	/800/	/815/	/841/	/1,179/	/1,127/
Capital expenditure and net lending	(2,446)	(3,251)	(3,703)	(2,709)	(2,134)	(1,546)	(1,843)
Overall balance of the Central Government 1/	1,068	446	-2,415	-2,214	-1,568	-1,122	-1,662
Overall balance of the rest of the public sector 2/	-292	-379	-528	-597	64	-141	-141
Overall balance of the public sector	776	67	-2,943	-2,811	-1,504	-1,263	-1,803
Financing	-776	-67	2,943	2,811	1,504	1,263	1,803
External financing 3/	430	473	778	602	139	780	696
Domestic financing	-1,206	-540	2,165	2,209	1,365	483	1,107
Banking system	(-1,311)	(-749)	(2,042)	(2,014)	(1,297)	(383)	(1,007)
Nonbank sources	(105)	(209)	(123)	(195)	(68)	(100)	(100)
	(As percent of GDP)						
Memorandum items							
Central Government 1/							
Total revenue	41.2	40.1	37.2	34.5	31.5	34.6	33.2
Total expenditure	34.3	37.6	49.9	46.2	39.1	39.7	40.8
Current account balance	22.5	20.9	6.8	2.6	2.7	1.9	0.8
Overall balance	6.8	2.5	-12.7	-11.7	-7.6	-5.1	-7.6
Overall balance of the rest of the public sector 2/	-1.9	-2.1	-2.8	-3.1	0.3	-0.6	-0.6
Overall balance of the public sector	4.9	0.4	-15.5	-14.8	-7.3	-5.7	-8.2

Sources: Ministry of Finance and Planning; and Fund staff estimates.

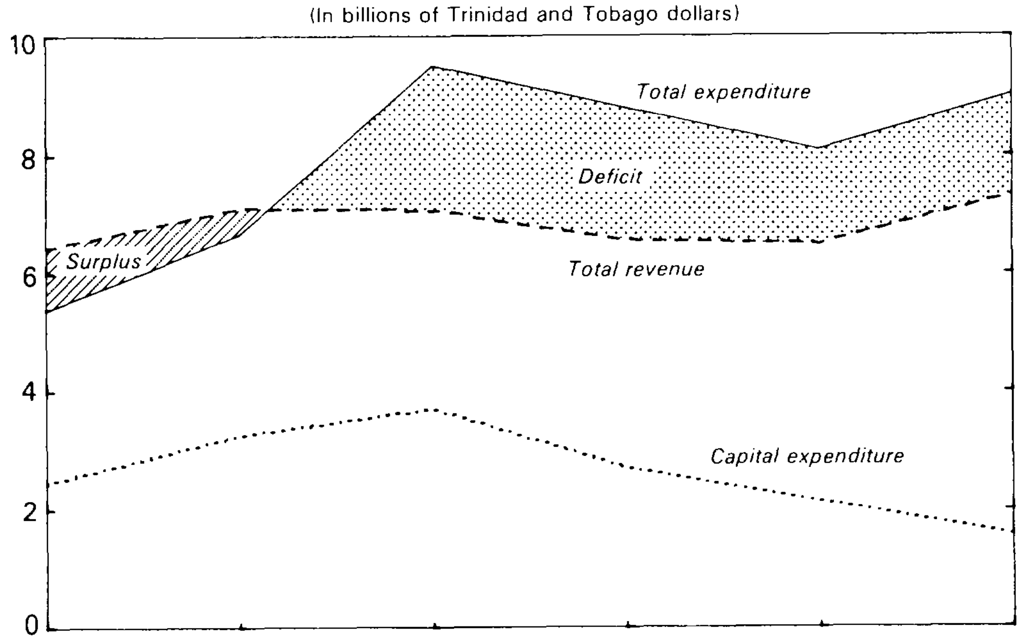
1/ Central Government is defined as consisting of the Consolidated Fund, the Long-Term Fund, and the Unemployment Fund.
2/ Consists of local governments, statutory bodies (including the National Insurance Board), and nonfinancial public enterprises; data derived from banking system and balance of payments accounts.
3/ Excludes net lending abroad, which is included under transfers.

CHART 2

TRINIDAD AND TOBAGO

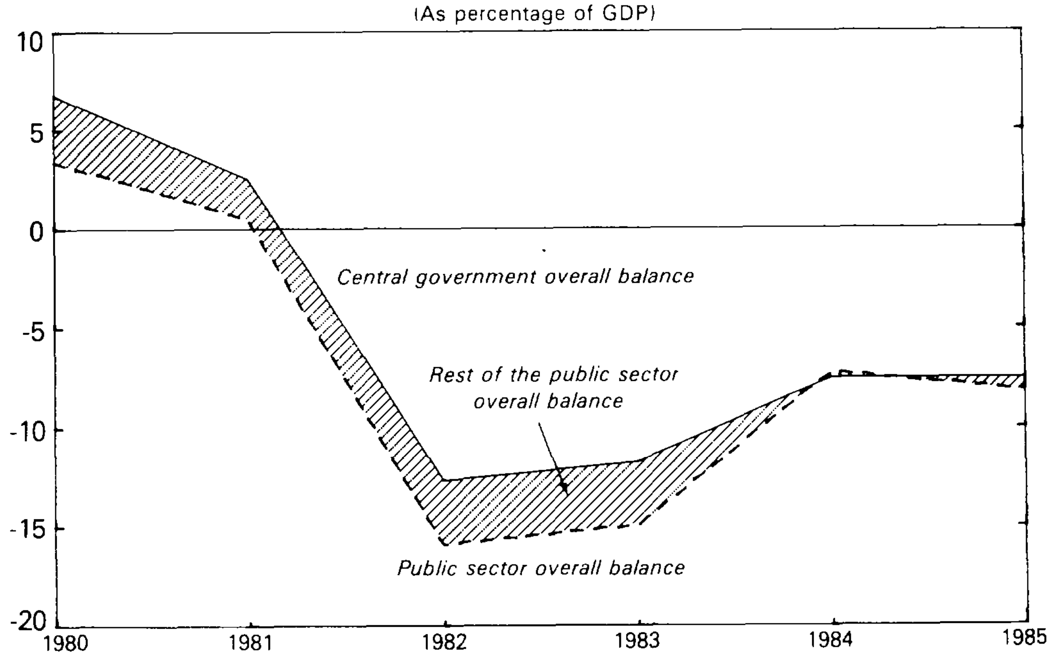
CENTRAL GOVERNMENT OPERATIONS

(In billions of Trinidad and Tobago dollars)



PUBLIC SECTOR OPERATIONS

(As percentage of GDP)



Sources: Ministry of Finance and Economic Planning, and Fund staff estimates.
[1] Fund staff estimates.

During 1982-83 the net domestic assets of the banking system increased at an average annual rate of 49 percent in relation to the liabilities to the private sector at the beginning of the period (Table 3 and Chart 3). The expansion was largely accounted for by credit to the public sector. There was also a significant rise in credit to the private sector, which took place notwithstanding an increase in reserve requirements. Monetary liabilities grew by 38 percent in 1982 but the rate of increase fell to 12 percent in 1983, and net international reserves declined in both years. The weak performance of financial savings in 1983 was in part due to the adverse effect of negative real interest rates on deposits, the slowdown in economic activity, and an apparent loss of confidence in the Trinidad and Tobago dollar.

Inflation in Trinidad and Tobago remained well in excess of that of its major trading partners in 1982-83. After decelerating to about 11 percent in 1982, the retail price index rose by nearly 15 1/2 percent in 1983, reflecting in part increases in indirect taxes, continued demand pressures, and high wage settlements (see Table 1). Wages in manufacturing increased on average by 17 percent in 1982 and by 18 percent in 1983. Unemployment rose from 9 1/2 percent in 1982 to 11 percent in 1983.

Trinidad and Tobago's external performance weakened markedly in 1982-83 as export earnings declined by a cumulative 19 percent (in U.S. dollar terms), owing mainly to declines in output and prices of petroleum (Table 4 and Chart 4). Traditional non-oil exports also fared poorly because of a loss in international competitiveness and the newly established fertilizer and steel industries faced operational problems and, in the case of steel, market access difficulties. The value of imports rose by about 39 percent in 1982, but declined by 6 percent in 1983, mainly because of lower public investment spending and the imposition of import controls in the last quarter of that year. The deficit in the service account continued to increase, in part reflecting the termination of a processing arrangement for imported oil in a local refinery, and the external current account balance shifted from a surplus position to a deficit equivalent to 10 percent of GDP in 1982 and 14 percent in 1983. In both years the public sector made extensive use of foreign loans, but such inflows were not sufficient to offset the emerging current account deficits and, in 1983, sizable net private capital outflows. The overall balance of payments deficit was equivalent to 3 1/2 percent of GDP in 1982 and 12 percent of GDP in 1983, and net international reserves declined by US$1.2 billion over the period.

2. Developments in 1984

In 1984 the authorities moved to more restrictive policies, particularly in the fiscal field, and as a result the financial situation improved. However, real GDP declined by 4 1/2 percent. Petroleum output increased for the first time since 1978, mainly in response to newly approved tax incentives. In contrast, production in the rest of

Table 3. Trinidad and Tobago: Summary Operations of the Monetary System

	1980	1981	1982	1983	Prel. 1984
(In millions of Trinidad and Tobago dollars; end of period)					
Net international reserves	6,621	7,966	7,300	4,886	3,059
Net domestic assets	-1,897	-2,256	304	3,450	5,794
Net claims on public sector	-4,854	-5,603	-3,561	-1,547	-250
Central Government (net)	(-4,733)	(-5,406)	(-3,407)	(-1,625)	(-529)
Rest of public sector (net)	(-121)	(-197)	(-154)	(78)	(279)
Credit to rest of financial system	80	94	124	149	129
Credit to private sector	3,229	3,972	4,737	5,521	5,945
Other assets (net)	-352	-719	-996	-673	-30
SDR allocations	116	129	122	116	110
Liabilities to rest of financial system	463	648	689	594	802
Liabilities to the private sector	4,145	4,933	6,793	7,626	7,941
Money	1,153	1,315	1,929	2,029	1,817
Quasi-money	2,630	3,207	4,333	4,961	5,343
Other	362	411	531	636	781
(Annual changes as percent of liabilities to private sector at the beginning of the period)					
Net international reserves	41.4	32.5	-13.5	-35.5	-24.0
Net domestic assets	-23.9	-8.7	51.9	46.3	30.7
Of which: net claims on public sector	(-37.8)	(-18.1)	(41.4)	(29.5)	(17.1)
credit to private sector	(15.7)	(17.9)	(15.5)	(11.5)	(5.6)
Liabilities to the private sector	16.1	19.0	37.7	12.3	4.1
(As percent of GDP)					
Liabilities to private sector 1/	26.5	27.9	35.8	40.2	38.5
Of which: Money and quasi-money	(26.3)	(27.7)	(35.6)	(39.9)	(38.1)
Credit to private sector 2/	3.6	4.2	4.0	4.1	2.1
Credit to public sector 2/	-8.6	-4.2	10.8	10.6	6.3
Memorandum items					
Interest rates					
Commercial banks, average lending rate 3/	11.70	12.28	12.67	13.31	13.65
Commercial banks, average deposit rate 3/	6.29	6.60	6.05	6.80	6.97
Three-months (London) Eurodollar rate 3/	14.36	16.51	13.11	9.60	11.29
Retail price index (percentage change) 3/	16.60	11.60	10.80	15.40	14.10
Total reserve requirements (as percent of deposits, end of period) 4/	16.0	18.6	21.1	21.9	22.0

Sources: Central Bank of Trinidad and Tobago; and Central Statistical Office.

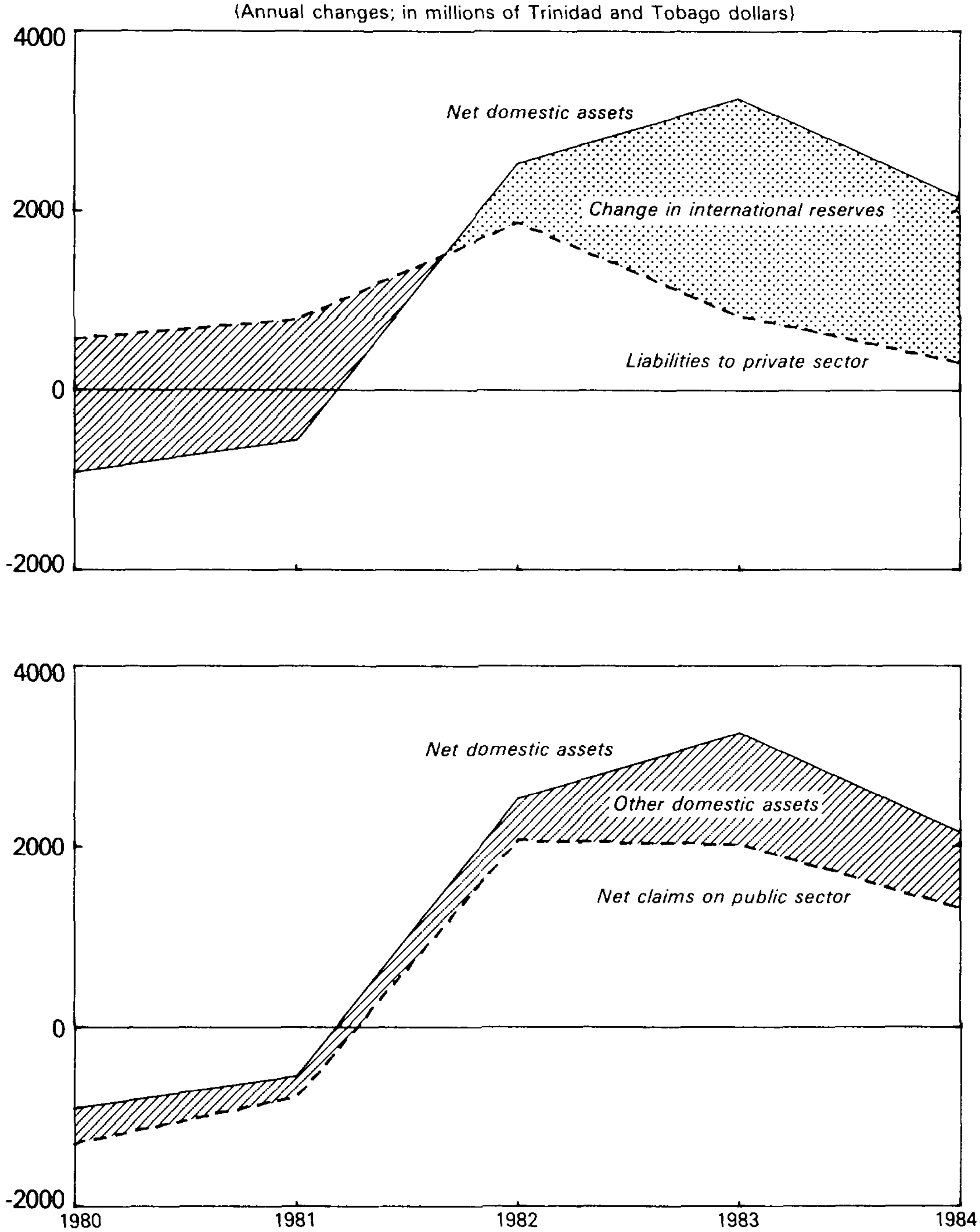
1/ Stock at the end of the period.
2/ Flows during the year.
3/ End of period.
4/ Consists of the legal reserve requirement and a 5 percent secondary reserve requirement.

CHART 3

TRINIDAD AND TOBAGO

MONETARY SYSTEM OPERATIONS

(Annual changes; in millions of Trinidad and Tobago dollars)



Source: Central Bank of Trinidad and Tobago

Table 4. Trinidad and Tobago: Summary Balance of Payments

	1980	1981	1982	1983	Prel. 1984	Proj. 1985
	(In millions of U.S. dollars)					
Current account	347	365	-813	-1,092	-670	-570
Trade balance	548	626	-526	-469	209	270
Exports, f.o.b.	(2,542)	(2,608)	(2,225)	(2,108)	(2,115)	(2,240)
Petroleum and petroleum products	/2,226/	/2,202/	/1,814/	/1,711/	/1,696/	/1,790/
Other	/316/	/406/	/411/	/397/	/419/	/450/
Imports, c.i.f.	(-1,994)	(-1,982)	(-2,751)	(-2,577)	(-1,906)	(-1,970)
Services (net)	-135	-170	-147	-490	-753	-725
Investment income	(-301)	(-190)	(-98)	(-237)	(-462)	(-487)
Other	(166)	(20)	(-49)	(-253)	(-291)	(-238)
Transfers (net)	-66	-91	-140	-133	-126	-115
Capital account	328	296	597	117	-55	270
Central Government	65	-102	146	82	168	290
Rest of public sector	117	189	202	152	-110	--
Other 1/	146	209	249	-117	-113	-20
SDR allocation	11	11	--	--	--	--
Valuation adjustment	-45	-108	-54	-2	-23	--
Overall balance (surplus -)	-641	-564	270	977	748	300
Memorandum items						
Gross official reserves	2,789	3,353	3,083	2,106	1,359	1,060
Gross official reserves (in months of imports)	16.8	20.2	13.4	9.8	8.6	6.3
Unit value of crude petroleum (in U.S. dollars per barrel)	35.3	39.0	34.7	32.6	30.3	28.0
	(As percent of GDP)					
Current account balance	5.3	4.9	-10.3	-13.8	-7.8	-6.2
Overall balance (surplus -)	-9.8	-7.6	3.4	12.3	8.7	3.3

Sources: Ministry of Finance and Economic Planning; Central Bank of Trinidad and Tobago; Central Statistical Office; Ministry of State Enterprises; and Fund staff estimates.

1/ Includes errors and omissions.

the economy continued to decline, and the rate of unemployment increased to 13 percent. Total domestic expenditure dropped in relation to GDP, mainly because of the curtailment of investment, and the current account of the balance of payments improved. Wage increases decelerated, and the rate of inflation fell to 14 percent in 1984.

The public finances improved sharply in 1984, with the overall public sector deficit being halved to 7 1/2 percent of GDP. In the case of the Central Government, the lower deficit reflected lower subsidies and transfers to the rest of the public sector, and a further curtailment of capital expenditure. Notwithstanding higher levels of indirect taxes and oil-related receipts, revenues declined because of the weakness of economic activity. On the basis of available information, operations of the rest of the public sector were in virtual equilibrium after central government transfers, reflecting some cutbacks in expenditure and adjustments of prices and tariffs. Almost all subsidies on the retail price of oil products have been removed, and rates for electricity, telephones, and transportation have been adjusted significantly, although substantial subsidies remain in several other areas.

In 1984 the rate of growth of net domestic assets of the banking system declined to 31 percent, in relation to the liabilities of the private sector at the beginning of the period. Credit to the public sector rose at a slower pace, reflecting the reduced budget deficit, and the demand for private sector credit weakened. Monetary liabilities to the private sector grew by only 2 1/2 percent; however, net international reserves continued to decline. Interest rates on deposits have remained well below recorded rates of inflation and prevailing rates in international capital markets (see Table 3). In November 1984 legal reserve requirements were set at 17 percent of deposit liabilities, and the marginal reserve requirement introduced in 1980 was eliminated. An additional reserve requirement of 5 percent, held in the form of government bonds, is also applicable.

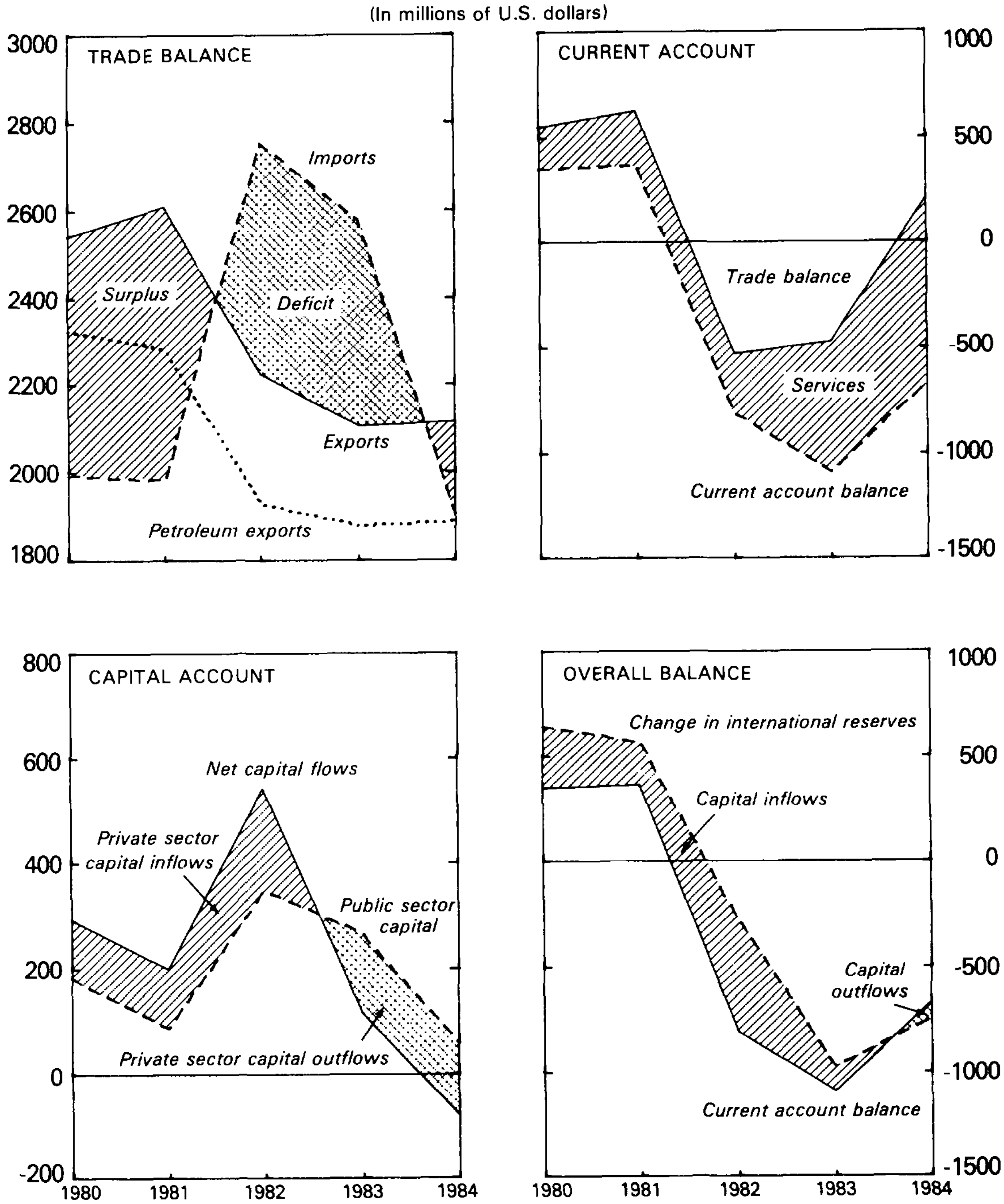
The deficit in the current account of the balance of payments declined from the equivalent of 14 percent of GDP in 1983 to 8 percent of GDP in 1984. The trade account moved from a deficit to a surplus, as the value of exports stabilized after two years of decline and imports fell by 26 percent in response to the lower levels of expenditure and the restrictions imposed in late 1983. However, the deficit in the services account widened, as interest payments rose and the earnings on investments abroad declined in line with the drop in international reserves. The Central Government continued to make significant recourse to foreign borrowing, but the rest of the public sector made large repayments and private capital outflows continued, reflecting in part lower levels of trade financing. The overall balance of payments recorded a deficit of about US$750 million (about 9 percent of GDP). Nevertheless, at the end of 1984 international reserves were still equivalent to eight months of imports.

CHART 4

TRINIDAD AND TOBAGO

BALANCE OF PAYMENTS

(In millions of U.S. dollars)



Sources: Ministry of Finance and Economic Planning.

The outstanding public sector debt, which had increased from US$1 billion at the end of 1981 to US$1.5 billion in 1983, increased to US$1.6 billion in 1984 (Table 5). The ratio of debt service payments to exports of goods and services rose from 4 percent in 1981 to 11 1/2 percent in 1983, and to 13 1/2 percent in 1984. External borrowing has been mostly in the form of bond placements and medium-term syndicated loans, with spreads averaging less than 1 percent over LIBOR during the period 1982-84.

In 1984 it was proposed that Trinidad and Tobago be graduated from the IBRD lending program, because of its high per capita income, but no decision has been reached to date. The IBRD has continued to provide technical assistance, particularly in the areas of urban development and energy-sector planning, and is proposing to continue its support in these areas for another five years. Relations with the IBRD are described in Appendix III.

Table 5. Trinidad and Tobago: External Debt

	1980	1981	1982	1983	Prel. 1984	Proj. 1985
(In millions of U.S. dollars)						
Outstanding public sector debt (end of period)	771	968	1,292	1,543	1,601	1,891
Central Government	437	440	561	664	832	1,122
Rest of public sector	334	528	731	879	769	769
Debt service	264	133	177	319	393	330
Principal	184	38	57	168	227	150
Interest	80	95	120	151	166	180 1/
(In percent)						
Outstanding debt (as percent of GDP)	11.8	13.1	16.3	19.5	18.6	20.6
Interest payments (as percent of GDP)	1.2	1.3	1.5	1.9	1.9	2.0
Debt service (as percent of exports of goods and nonfactor services)	8.3	4.2	6.3	11.6	13.5	11.6

Sources: Ministry of Finance and Economic Planning; Ministry of State Enterprises; and Fund staff estimates.

1/ Interest payments include US$20 million of estimated payments on debt contracted during 1985.

3. Developments in the exchange and trade system

The Trinidad and Tobago dollar has been pegged to the U.S. dollar at TT$2.40 = US$1.00 since 1976. From the fourth quarter of 1979 to the fourth quarter of 1983, the real effective exchange rate appreciated by about 45 percent (Chart 5).1/ It appreciated by a further 16 percent from the fourth quarter of 1983 to the fourth quarter of 1984, reflecting the continued high rate of inflation and the appreciation of the U.S. dollar vis-à-vis other currencies.2/

In October 1983 Trinidad and Tobago introduced exchange restrictions involving foreign exchange budgeting for imports, with ceilings established on the amount of foreign exchange to be allocated annually for the purchase of specific imports. Within those ceilings, limits apply also on the amounts available to individual applicants. Foreign exchange is provided on a priority basis for capital goods, raw materials, other industrial inputs, and essential food and drugs. Trinidad and Tobago also maintains an extensive negative list for imports for the purpose of protecting domestic production.

The 1985 budget provides for a new 10 percent tax (effective January 9, 1985) on the sale of foreign exchange for vacation and business travel and for remittances to persons who have emigrated or are about to emigrate from the country.

III. Summary of Policy Discussions

At the time of the discussions, the circumstances of the Trinidad and Tobago economy continued to be very difficult. During the staff visit, oil prices weakened further in international markets, with significant repercussions on the budget and on the balance of payments. Economic activity remained depressed, and domestic inflation was still relatively high. In the policy discussions, which centered on the suitability of alternative adjustment strategies, the authorities reiterated their determination to continue to adjust aggregate demand through a policy that emphasized control over the public sector deficit, together with the pursuit of prudent credit, wage, and foreign borrowing policies. They also stated their intention to stabilize foreign international reserves at a level equivalent to five-six months of imports, which they considered as a minimum in view of the uncertainties prevailing in the oil market.

1/ The real effective exchange rate has been calculated on the basis of trade weights for 36 trading partners and adjusted by movements in relative consumer price indices.

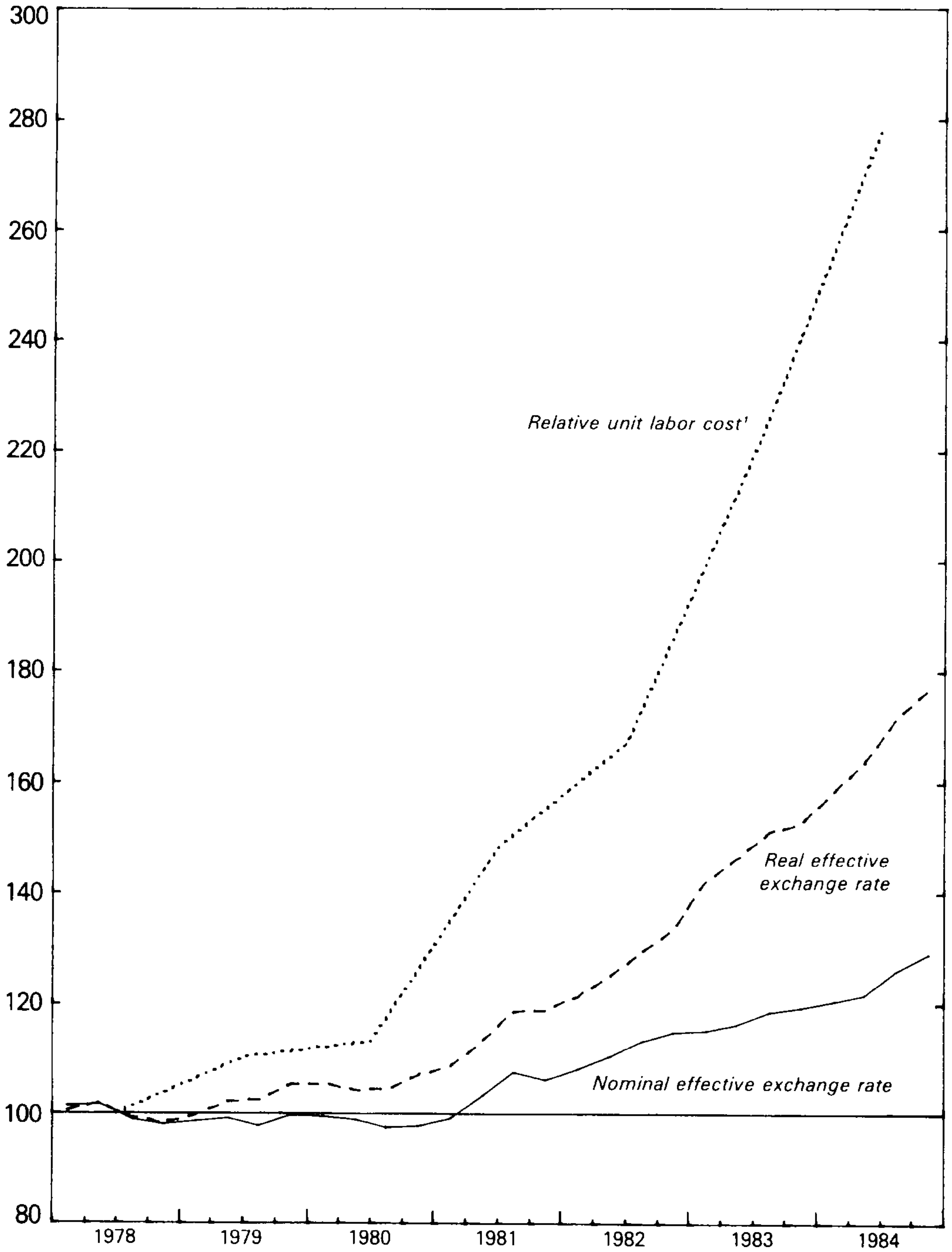
2/ In September 1984 the staff issued an Information Notice that the real exchange rate had increased by more than 10 percent since the conclusion of the last Article IV consultation in November 1983.

CHART 5

TRINIDAD AND TOBAGO

REAL AND NOMINAL EFFECTIVE EXCHANGE RATE, AND RELATIVE UNIT LABOR COST IN MANUFACTURING

(1978 = 100)



Source: Central Statistical Office; and International Monetary Fund.

[1] Unit labor cost in manufacturing in Trinidad and Tobago divided by the weighted average of unit labor costs in the major trading partner countries

The staff acknowledged that the policies that were being pursued were proving effective in improving financial performance, but it also noted that the current policy stance was not conducive to improving output and employment. To meet growth objectives, financial restraint needed to be accompanied by an appropriate exchange rate and incomes policies, which could be expected to strengthen export performance over the medium term, particularly in the non-oil sector. The authorities were broadly in agreement with the staff, but noted that they were not prepared to consider an exchange rate change as long as appropriate incomes policies, including restraint in public sector wages, were not in place.

1. Fiscal policy

In order to correct the fiscal imbalances, the authorities have placed particular emphasis on expenditure restraint, increases in non-petroleum revenue, and improvement in the financial position of public utilities and NPEs. Decisive action had been taken since 1983 to raise indirect taxation, particularly by increasing tax rates and broadening the base for the purchase tax. In addition, prices for petroleum products had been raised to international levels, and rates charged by various public enterprises, including electricity and telephones, have been increased.

The budget for 1985 is intended to go further in correcting the imbalances in the public finances, thereby reducing recourse to bank financing and foreign borrowing. The budget envisages a reduction in the central government deficit from the equivalent of 7 1/2 percent of GDP in 1984 to about 5 percent in 1985. Revenues are projected to rise by 17 percent, on the basis of a broadening of the income tax base to cover the self-employed; selective increases in the sales tax; a new stamp tax on imports of 12 percent (subsequently reduced to 6 percent for capital goods), and the tax on the sale of foreign exchange for travel and certain remittances that was referred to above. Total expenditure is projected to increase by 8 percent, with transfers and subsidies increasing by 26 percent. Capital expenditure, which declined by 21 percent in 1984, is projected to decline further by 28 percent in 1985.

The mission acknowledged the efforts made by the authorities in the area of fiscal policy, but noted that the budgetary improvement for 1985 could fall short of the target that is envisaged. In particular, the mission observed that the budget may have overestimated the impact on 1985 revenues from the broadening of the income tax base given the time needed to implement the necessary administrative measures. In addition, receipts from the new stamp tax on imports were likely to fall short of the original estimates because of exemptions and lower rates on specific goods not envisaged in the budget proposal.

The budget also appears to have underestimated expenditures, particularly in the area of wages. Provision was not made for a possible wage settlement for the period 1984-86. Since last year, the Government has been engaged in complex wage negotiations, which have been referred to the Industrial Court for arbitration. The Government's offer to the unions at the time of the discussions consisted of a 6 percent increase over the three-year period, together with a partial cost of living adjustment. On the basis of this offer, the mission estimated that central government wage payments--including retroactive settlements--could exceed appropriations by at least 10 percent, and transfers to the rest of the public sector also might be higher on this account. Moreover, there is a possibility that the Industrial Court may grant a wage award higher than that proposed by the Government; the unions have requested wage increases of up to 45 percent plus cost of living adjustments over the period. While other items of current expenditure may have been overestimated in the budget, the staff noted that additional outlays might be required in relation to the intended purchase of the holdings of TEXACO, and to the restructuring of the government-owned steel complex, ISCOTT.

Taking into account the various factors mentioned above, the budget deficit in 1985 could reach the equivalent of 7 1/2 percent of GDP, compared with the official projection of 5 percent. A fiscal deficit of 7 1/2 percent of GDP would imply virtually no adjustment from 1984, and would continue to involve considerable pressures on domestic prices and on the balance of payments. The staff therefore suggested that the authorities adopt additional measures, both on revenues and expenditures, to assure the reduction of the central government deficit to the original target of 5 percent of GDP. Revenue measures suggested by the staff included the replacement of the current indirect tax system by a general sales tax and a curtailment of tax exemptions.

The authorities agreed in general with the staff assessment and indicated that they would monitor developments in the public finances very closely. If necessary, they were ready to move to curtail expenditures, and to take action to reduce the transfers to the rest of the public sector, in order to ensure achievement of the budget target. They noted that adoption of additional revenue measures would take time because they would require approval by Parliament.

The authorities recognized that the financing requirements of the NPEs and the utilities had constituted a heavy burden on the public sector finances. They were determined to strengthen the performance of the public enterprises by promoting more realistic prices, and by improving their operational efficiency. In this connection, the Government has announced measures to improve the finances of the state-owned sugar companies--CARONI, Ltd. and the Orange Grove National Company. The efforts are directed particularly at diversifying the productive base of these enterprises and scaling down the role of the public sector in the production of sugar, which is now undertaken at costs considerably in excess of prevailing international prices. Some acreage will be distributed to small farmers, who are expected to play an increasing role in sugar production. As described in more detail below, the Government is also seeking to improve the operations of the refining industry and of the state-owned steel complex, ISCOTT.

2. Energy policies

The authorities explained that the increase in petroleum output in 1984--the first since 1978--reflected the fiscal incentives granted to the oil companies in 1983-84, mainly in the form of reduced tax rates. In 1984 output averaged about 170,000 barrels a day. However, in the last quarter of the year output reached about 190,000 barrels a day. The authorities estimated that fiscal incentives, reinforced by new measures included in the 1985 budget, would help sustain production at levels of 180,000-220,000 barrels a day over the medium term.1/

Refining activity has remained considerably below capacity because the processing arrangements for imported crude by TEXACO ended in late 1982, and substantial budgetary support has been provided to the refining industry in order to maintain employment. At the time of the discussions the Government was negotiating the purchase of the TEXACO assets, a step which the authorities believed would eventually allow the closing of the smaller government-owned refinery. However, they were aware that the purchase could have a significant impact on public finances in the short run.

The authorities noted that they intended to improve the performance of ISCOTT, which has confronted operational and external marketing difficulties since its inception. They indicated that negotiations were well advanced with an international partner, who was expected to provide equity as well as management and marketing support.

3. Monetary policy

The authorities noted that the slowdown in credit expansion had helped to moderate the decline in net international reserves in 1984. Moreover, they considered that the existing guidelines for credit allocation had been successful in directing resources away from consumption and into priority areas. The authorities explained that the consolidation of the basic and marginal reserve requirements on deposits into a single rate in late 1984 was intended to reinforce the management of monetary policy. They felt that the reserve requirements were adequate at present, but they intended to use this instrument flexibly in the management of bank liquidity.

In the recent past nonbank financial intermediaries have experienced serious liquidity problems, triggered by failures of several entities in the sector, and the Central Bank has provided financial support to

1/ Proven oil reserves are estimated to be about 550 million barrels, with probable reserves amounting to 400 million barrels more.

them. Initially the support was granted in the form of authorized deficiencies in their reserve requirements, but subsequently the Central Bank established a special liquidity support facility funded by the commercial banks. The authorities indicated that the support would be limited to a maximum of TT$50 million. Moreover, the Central Bank is reviewing the possible introduction of a deposit insurance scheme, in light of recent developments in the nonbank financial intermediaries.

The mission noted that domestic financial savings in 1984 increased at a slow rate, below that of nominal GDP, and suggested that the prevailing negative real interest rates on deposits were probably a factor in this regard. The authorities said that they attributed the slow growth in financial savings to the weak performance of the economy. It was their view that the level of domestic interest rates had affected only to a limited extent the flow of savings to the domestic financial system, because of the existence of exchange controls. According to the authorities, interest rates are market-determined. They acknowledged that the rediscount rate of 7 1/2 percent was low, but pointed out that they restrict the access to the facility, and that the effective rate applied to commercial bank borrowing from the Central Bank was considerably higher, at 13 percent a year. Moreover, their policy was to discourage the use of rediscounting facilities so as to encourage the development of short-term money markets. The authorities expressed concern that increases in deposit rates could contribute to higher lending rates, with further adverse effects on economic activity. They also expressed concern regarding the current spreads between lending and deposit rates, which they linked mostly to the large profits in the banking system, although they acknowledged that it also reflected the high reserve requirements that were in force.

4. Wage policies

The authorities said that relatively high wage settlements in the past had adversely affected international competitiveness and employment, and they emphasized that wage restraint was needed in order to improve the prospects for growth. They noted that wage increases had slowed down recently, and that the position taken by the Government in the current negotiations with public sector employees will result in a further slowing of the rate of wage increase.

They acknowledged the danger that the pending court settlement decision might be adversely affected by a precedent established in a recent Industrial Court wage settlement for CARONI, which provided for a 24 percent increase over a three-year period in addition to a partial cost of living adjustment. The decisions of the independent Industrial Court have tended to be based on settlements previously agreed outside the court, without full regard to the circumstances of individual entities or the prevailing economic conditions in the country.

5. External policies

Balance of payments developments and prospects featured prominently in the consultation discussions. The authorities noted that the level of net international reserves at the end of 1984, equivalent to eight months of imports, remained relatively comfortable. However, current uncertainties in the international petroleum and capital markets made it essential that adequate adjustment policies be pursued, in order to strengthen the balance of payments over the medium term.

The mission cautioned that if the fiscal improvement planned for 1985 was not achieved, the overall balance of payments deficit might easily exceed US$300 million, and would have the effect of reducing international reserves to below six months of imports. The staff had estimated an increase in the value of exports of 6 percent, with petroleum exports rising moderately and the shipments of fertilizers and other energy-intensive products continuing to grow. Imports were projected to increase by 3 1/2 percent, if there were no changes in policies between 1984 and 1985. The deficit in the service account would remain at about the same level as in 1984, as higher interest payments and reduced interest receipts on foreign reserves abroad would be offset by lower travel-related expenditures. On the basis of these projections, the current account deficit would be the equivalent of about US$570 million (about 6 percent of GDP) in 1985. Net central government borrowing had been projected at about US$290 million, but virtually no net borrowing was likely in the private and NPE sectors.

The mission cautioned that the projections were based on the assumption that financial policies would limit private short-term capital outflows to levels considerably below those experienced in 1983-84. It had to be recognized, however, that failure to implement additional adjustment measures promptly could result in the overall balance deficit being larger than that projected by the staff.

The authorities noted their intention to take all the measures needed to limit the balance of payments deficit to about US$150 million in 1985. This was consistent with the target of limiting the fiscal deficit to 5 percent of GDP, a cautious credit and wage policy, and continued reliance on foreign exchange budgeting to control imports.

With regard to the rapid increase in external public sector debt in recent years, the authorities stated that the level of foreign debt outstanding (21 percent in relation to GDP) and debt service (12 percent as a percentage of exports of goods and nonfactor services) envisaged for 1985 were relatively low, and that additional net foreign financing over the next few years would not be imprudent. In particular, the borrowing planned for 1985, involving gross disbursements on the order of US$400 million, had been secured on generally favorable terms, reflecting the good credit standing of Trinidad and Tobago in international capital markets.

The authorities were aware that the sharp real appreciation of the Trinidad and Tobago dollar had had detrimental effects on the country's capacity to compete internationally. The mission observed that the profitability of the non-oil sector had been seriously impaired by the adverse effects of the exchange rate and commercial policies, and noted that an improvement in the sector's performance would depend significantly on an adjustment of the exchange rate, supported by adequate incomes and financial policies. Moreover, an exchange rate adjustment could help strengthen the public finances. The authorities recognized that an improvement in competitiveness was essential for the growth of exports, but noted that an exchange rate change had to be preceded by the moderation of wages, if they were to have a lasting effect.

The authorities said that considerable efforts had been directed at promoting exports, particularly in energy-based areas. However, export performance had been adversely affected by the limited access to the markets of industrial countries and economic difficulties in the CARICOM region. In view of these problems, it had been necessary to put more emphasis on the limitation of imports through import prohibitions and the use of foreign exchange budget as a mechanism for control.

The mission pointed out that the current commercial policy stance was detrimental to growth, because of its impact on resource allocation and on confidence, and it urged the authorities to review these practices. The mission also indicated that by using import tariffs rather than quantitative restrictions, additional revenues would be generated to strengthen the budget. The authorities were in broad agreement with the staff but they cautioned that rapid action might not be possible, particularly as regards the replacement of quantitative controls by tariffs, because of the obligations of Trinidad and Tobago in CARICOM.

The authorities acknowledged that the foreign exchange budget constituted an exchange restriction and that the newly announced tax on the sale of foreign exchange for travel and remittances constituted a multiple currency practice subject to Fund approval. The mission urged the authorities to establish a timetable for the elimination of these practices in the context of a comprehensive economic program. The authorities said that they viewed these measures as temporary, but they were not in a position to commit themselves to their prompt elimination in current circumstances.

6. Medium-term prospects

The Trinidad and Tobago authorities are aware of the need to attain an improvement in the balance of payments outcome over the medium term, and consider that the financial policies to be pursued in 1985 will help in achieving this objective. Furthermore, they have indicated their intentions to pursue tight financial policies over the medium term.

In order to quantify the magnitude of the adjustment effort over the coming years, the staff prepared an illustrative medium-term balance of payments projection (Table 6). The projection assumes that the central government deficit in 1985 cannot be reduced to the full extent envisaged in the budget, but that domestic policies, especially in the fiscal field, will be tightened in 1986 and that in the remainder of the period through 1989 policies will be sufficiently restrictive to achieve overall external balance.

Other underlying assumptions of the staff projections are that the value of petroleum-related exports would rise by around 6 percent a year (on the basis of increased production of crude and increased exports of petrochemicals); that nonpetroleum exports would increase on average by 12 percent; that imports would grow on average by about 4 percent in 1986 and 1987, and by 5 percent subsequently; and that net foreign capital inflows to the public sector would be cut by more than half in 1986, and would be reduced further subsequently. The projection assumed that no major new loans would be contracted by public corporations after 1986, and that central government disbursements would fall to about US$300 million annually in 1986 and 1987, and would increase to US$350 million thereafter. The average terms assumed were a two-year grace period, a seven-year maturity, and an interest rate of 1 percent above LIBOR. These terms were consistent with those obtained over the past two years. The net flow of capital to the private sector would reflect the continued reinvestment of profits by oil companies and the reduction of short-term capital outflows.

On the basis of the above assumptions, Trinidad and Tobago's external public sector debt service ratio would increase to about 14 percent in 1986 and decline to approximately 13 percent by 1989, while the outstanding public sector debt in relation to GDP would decline from 20 1/2 percent in 1985 to about 18 percent in 1989. The current account would narrow from the equivalent of 6 percent of GDP in 1985 to about 3 1/2 percent in 1989. With a stronger adjustment effort in 1985, as recommended by the staff, the need for foreign financing would be smaller and the balance of payments would record a smaller deficit in 1985, with overall balance being achieved as early as 1986.

IV. Staff Appraisal

Since 1982 the Trinidad and Tobago economy has confronted serious economic difficulties, reflecting in part a weakening of the international oil market. At the same time, however, expansionary financial policies and rapid increases in wages have been major factors in the deterioration in the country's economic position, as evidenced by the weakening in production, the emergence of large balance of payments deficits, and a rapid increase in prices.

Table 6. Trinidad and Tobago: Medium-Term Balance of Payments and External Debt Projections

	Prel. 1984	Proj. 1985	1986	1987	1988	1989
	(In millions of U.S. dollars)					
	I. Balance of Payments					
Current account balance	-670	-570	-470	-420	-390	-420
Exports	2,115	2,240	2,390	2,540	2,740	2,940
Of which: petroleum and petroleum products 1/	(1,696)	(1,790)	(1,880)	(1,980)	(2,080)	(2,190)
Imports	-1,906	-1,970	-2,050	-2,130	-2,240	-2,370
Interest on external debt	-166	-180	-210	-220	-230	-240
Other	-713	-660	-600	-610	-660	-750
Capital account	-78	270	390	420	390	420
Public sector	58	290	120	110	110	100
Other	-136 2/	-20	270	310	280	320
Overall balance (surplus -)	748	300	80	--	--	--
	II. External Debt					
Total external public debt outstanding	1,601	1,891	2,010	2,120	2,230	2,330
Debt service payments	393	330	430	420	490	520
Payments on debt outstanding at end of 1984	(393)	(310)	(370)	(270)	(290)	(260)
Payments on debt contracted after 1984	(...)	(20)	(60)	(150)	(200)	(260)
Gross official international reserves	1,359	1,060	980	980	980	980
	(An percent of GDP, unless otherwise specified)					
Memorandum items						
Current account	-7.8	-6.2	-4.8	-4.0	-3.4	-3.3
Total public debt	18.6	20.6	20.5	20.2	19.3	18.2
Interest payments	1.9	2.0	2.1	2.1	2.0	1.9
Debt service ratio (in percent)3/	13.5	11.6	14.1	12.9	13.7	13.2
Gross official reserves (in months of imports)	8.6	6.3	5.7	5.5	5.3	5.0

Sources: Ministry of Finance and Economic Planning; Central Bank of Trinidad and Tobago; Central Statistical Office; Ministry of State Enterprises; and Fund staff estimates.

1/ Assumes an increase in the volume of exports of crude by an annual average of 5 percent in 1985-86 and no increases thereafter. Prices are projected to remain stable in 1985-86 and increase at an annual average rate of 5 percent subsequently.
2/ Includes errors and omissions and valuation adjustments.
3/ Total debt service in the public sector as a percent of exports of goods and nonfactor services.

This deteriorating trend was moderated somewhat in 1984. Output continued to decline, but at a somewhat slower rate than previously; petroleum production increased for the first time since 1978, but output in most other sectors continued to decline. The rate of inflation slowed down and the trade balance moved into surplus, in response to tighter fiscal and monetary policies and a slowdown in wage increases. Nonetheless, net international reserves continued to fall at a rapid rate, notwithstanding the tightening of controls.

The authorities recognize the dangers of a further substantial loss of reserves, and they are seeking to deal with the existing imbalances. It is their view that reduction of the public sector deficit, along with the pursuit of restrained credit, foreign borrowing, and wage policies, is the most effective strategy for promoting the required adjustment.

Accordingly, the budget for 1985 envisages a reduction in the overall central government deficit to 5 percent of GDP, which would represent a significant step in correcting existing financial imbalances. The staff, however, has some reservations as to whether the projected fiscal target can be achieved on the basis of the measures included in the budget. In particular, the staff is of the view that the revenue yield of certain measures contained in the budget seems to be overstated and current expenditures may be underestimated, particularly with regard to wages. According to the staff, the central government deficit for 1985 could turn out to be as high as 7 1/2 percent of GDP, the same as in 1984.

The staff would urge the authorities to strengthen their efforts in the fiscal area so as to assure achievement of the budget target. The restraint of expenditure should continue to be emphasized in pursuing fiscal adjustment, and plans with respect to wages, transfers, and subsidies should be reviewed. While the curtailment of capital expenditure may have been an appropriate course of action in the past, any further broad reduction might very well be damaging to growth and should be undertaken with caution. The scope for new taxes may be limited, but the authorities would be well advised to seek to strengthen revenue performance by replacing the present indirect tax system with a general sales tax and by reviewing the extensive use of tax exemptions.

The staff notes that several NPEs have increased prices, and that there are plans to improve the performance of the sugar, steel, and refining industries. However, central government transfers to the rest of the public sector have been high in the past and are expected to increase further in 1985. The staff is of the view that the needed improvement in the fiscal performance over the medium term will hinge on significant progress in reducing the financial requirements of the NPEs and utilities. A strengthening of the financial position of this sector should be sought through more realistic pricing policies and major efforts to raise efficiency. In order to monitor the performance of the NPEs adequately, it is esential that the statistical base be strengthened.

In recent years the Government of Trinidad and Tobago has made growing use of foreign borrowing to help finance the budget. A rate of growth of external indebtedness of the magnitude observed in recent years cannot be sustained. Although the term structure of foreign loans has been favorable, the servicing of external debt constitutes a growing burden on the public finances, further underscoring the need to reduce the budget deficit.

The pursuit of a tighter fiscal policy and the reduction in the rate of growth of credit to the private sector have helped slow down domestic credit expansion. At the same time, however, financial savings have performed poorly, reflecting not only the weakening of economic activity but also the detrimental effects of negative real interest rates. The staff would urge that a review of interest rate policy be undertaken to identify what might be done to strengthen savings. Regarding other instruments of monetary policy, the staff welcomes the intentions of the authorities to use reserve requirements flexibly. The staff would caution that support to financial intermediaries in difficulties should continue to be limited in size, to avoid an unduly large expansion of credit.

The current policy stance mostly stresses demand restraint measures. Although these policies are essential for an improvement in the balance of payments and in price performance, they may not be sufficient to support a revival of growth in output and employment. In this connection, the staff believes that the policies of demand restraint should be accompanied by an adjustment of the exchange rate, particularly in view of the very large real appreciation of the Trinidad and Tobago dollar in recent years. An adjustment of the exchange rate would help restore external competitiveness, and would be a key factor in strengthening the economic performance of the non-oil export sector. It would also help improve the public sector finances and rebuild confidence.

Adjustment of the exchange rate should be supported by adequate incomes policies. In this regard, the staff considers it essential that wage increases in the public sector be curtailed, and commends the authorities' determination in this area. A policy of restraint would not only serve to strengthen the public finances and the balance of payments, but would also give appropriate signals to other sectors of the economy in regard to the scope for wage adjustments.

Current commercial policies, including the extensive negative list for imports, are detrimental to economic growth because of their adverse impact on resource allocation and on confidence. The authorities would be well advised to review the structure of protection and reduce the restrictiveness of current policies. In this connection, it should be noted that the foreign exchange budget in effect since 1983 constitutes an exchange restriction, and the new tax on the sale of foreign exchange for travel and remittances abroad introduced in 1985 constitutes a multiple currency practice. Both measures are harmful to economic performance, and the staff would urge their prompt elimination in the context of a comprehensive adjustment program. While the authorities have stated that these measures are not permanent, they also have said that they cannot eliminate them in current circumstances. In the view of the staff, present economic policies do not give sufficient assurance that Trinidad and Tobago's restrictive practices can be regarded as temporary, and therefore Fund approval of Trinidad and Tobago's multiple currency practice and exchange restrictions is not being proposed.

It is recommended that the next Article IV consultation with Trinidad and Tobago be held on the standard 12-month cycle.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to exchange measures of Trinidad and Tobago subject to Article VIII, Section 2, and in concluding the 1985 Article XIV consultation with Trinidad and Tobago, in the light of the 1985 Article IV consultation with Trinidad and Tobago conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Trinidad and Tobago has maintained a foreign exchange allocation system for imports since 1983 and a multiple currency practice resulting from a tax on foreign exchange sales for travel and certain remittances since early 1985. The Fund urges Trinidad and Tobago to implement policies which will facilitate the prompt removal of these practices.

Trinidad and Tobago--Fund Relations
(As of February 28, 1985)

I. Membership Status

(a) Date of membership: July 17, 1963
(b) Status: Article XIV

(A) Financial Relations

II. General Department (General Resources Account)

(a) Quota: SDR 170.1 million

	Millions of SDRs	Percent of Quota
(b) Total Fund holdings of Trinidad and Tobago currency:	43.0	25.3
(c) Reserve tranche position	127.1	74.7

III. SDR Department

(a) Net cumulative allocation: SDR 46.2 million.

(b) Holdings: SDR 104.3 million or 225.6 percent of net cumulative allocation.

(c) Current designation plan: None

IV. Administered accounts

Gold distribution: 53,917 thousand fine ounces
Distribution of profits from gold sales: US$10.02 million.

V. Current stand-by and special facilities

The country has not used Fund resources to date.

VI. Overdue obligations to the Fund None

(B) Nonfinancial Relations

VII. Exchange rate: Pegged to the U.S. dollar since 1976 at TT$ 2.40=US$1.00 - A ten percent tax applies to the sale of foreign exchange for travel and certain remittances abroad.

VIII. The last Article IV consultation was concluded on November 30, 1983 (SM/83/231 and SM/83/212) and the Executive Board did not approve Trinidad and Tobago's exchange restrictions. At the time the following decision was taken:

> 1. The Fund takes this decision relating to exchange measures of Trinidad and Tobago subject to Article VIII, Section 2, and in concluding the 1983 Article XIV consultation with Trinidad Tobago, in the light of the 1983 Article IV consultation with Trinidad and Tobago conducted under Decision No. 5392 (77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
>
> 2. Trinidad and Tobago has recently introduced a foreign exchange allocation system for imports. The Fund urges Trinidad and Tobago to implement policies which will facilitate the prompt elimination of this practice.

Due to problems in scheduling the mission, the consultation has fallen outside the maximum period of 15 months.

Trinidad and Tobago - Statistical Issues

1. Outstanding statistical issues

Trinidad and Tobago's economic statistics are generally adequate and timely; however, there are some shortcomings in specific areas. Statistical information is adequate and up-to-date for national accounts by origin, prices, wages and employment, monetary accounts, central government finances, and the balance of payments. National accounts statistics are not readily available on the basis of expenditure even though efforts are currently being made in this regard. No comprehensive information on the operations of the rest of the public sector and on the external debt of the public sector are available. Some specific statistical issues are outstanding, as follows:

a. Government finance

The last year for which data are published in the GFS Yearbook is 1982. The mission learned that data for 1982 and 1983 are in preparation and should be made available to the Bureau of Statistics by mid-1985.

Statistics on central government operations are up to date. However, information is not available on a comprehensive basis for the rest of the public sector, particularly the nonfinancial public enterprises.

b. Balance of payments

There was a technical assistance mission in balance of payments statistics in March 1981 and a report containing a review of data sources and recommendations for improving the compilation procedures was sent to the Central Statistical Office. As a result some revisions to previously reported data have been submitted.

Statistical information on external public debt is only available for the Central Government. No systematic information is prepared on foreign borrowing by the rest of the public sector.

	Status of IFS Data	Latest Data in March 1985 IFS
Real sector	- National Accounts	1982
	- Prices	November 1984
	- Production (crude petroleum)	September 1984
	- Employment	n.a.
	- Earnings	n.a.
Government finance	- Deficit/surplus	1981
	- Financing	1981
	- Debt	Q 4 1981
Monetary accounts	- Monetary authorities	December 1984
	- Deposit money banks	November 1984
	- Other financial institutions	September 1984
	- Interest rates	December 1984
External sector	- Merchandise trade:	
	Value	September 1984
	Prices	Q 3 1983
	- Balance of payments	1982
	- International reserves	January 1985
	- Exchange rates	January 1985

2. Coverage, currentness, and reporting of data in IFS

During the past year the data have been provided on a timely basis, except for government finance and balance of payments statistics.

Financial Relations of the World Bank Group with Trinidad and Tobago

IBRD lending operations as of November 30, 1984	IBRD Disbursed	Undisbursed
	(In millions of US$) (Amount less cancellation)	
Power	23.40	
Education	19.74	
Agriculture	17.00	
Transport	15.56	
Health	3.00	
Industry	4.33	
Telecommunications	10.34	
Total	93.37	Nil

Principal payments: US$52.59 million

Debt outstanding, including undisbursed: US$40.8 million

Commitments, September 1983-November 1984: Nil

Disbursements, September 1983-November 1984: US$1.76 million

IFC investments: US$2.35 million

Technical assistance: In FY 1985 IBRD provided technical assistance in connection with a review of the Government's housing policies. In addition, an Enérgy Assessment Study is currently being prepared. All of the housing technical assistance and part of the energy assessment is included under the Bank's provision to graduated countries of 52 manweeks of technical assistance per year free of charge with additional amounts available on a reimbursable basis.1/

Recent economic and sector missions: An economic mission visited Trinidad in May 1982 (Report: Trinidad and Tobago: Development Issues for the 1980s). A review of investments, policies, and strategies for the energy sector is currently being undertaken as part of the Energy Assessment Study.

1/ At the beginning of the IBRD's 1985 fiscal year (July 1984/June 1985) the Bank proposed the graduation of Trinidad and Tobago but a final decision has not been taken yet. At present the Bank is proposing a phase-out graduation program which would provide Trinidad and Tobago with technical assistance for five years.

TRINIDAD AND TOBAGO

Area and population				
Area	1,980 sq. miles (5,128 sq. kilometers)			
Population (1984)				1.2 million
Annual rate of population increase 1980-84				1.6 percent
Unemployment rate (1984)				12.8 percent
GDP at market prices, (1984)				SDR 8,395 million
				US$8,605 million
				TT$20,652 million
GDP (at market prices) per capita (1984)				SDR 7,186

	1981	1982	Prel. 1983	Est. 1984
Origin of GDP	(percent)			
Agriculture and fishing	2	3	3	3
Petroleum	36	29	24	25
Manufacturing	6	6	7	7
Construction	13	15	14	13
Government	11	12	14	14
Other	32	35	38	38
Ratios to GDP				
Exports of goods and nonfactor services 1/	42.6	35.3	32.5	30.5
Imports of goods and nonfactor services 1/	33.8	42.6	41.7	31.5
Current account of the balance of payments	4.4	-10.3	-13.8	-7.8
Central government revenues	40.1	37.2	34.5	31.5
Central government expenditures	37.6	49.9	46.2	39.1
Central government savings	20.9	6.8	2.6	2.7
Central government overall surplus or deficit (-)	2.5	-12.7	-11.7	-7.6
External government and government-guaranteed debt (end of year)	13.1	16.3	19.5	18.6
Gross national savings	37.2	28.1	19.7	19.8
Gross capital formation	32.3	38.4	33.5	26.0
Money and quasi-money (end of year)	25.5	33.0	36.8	34.2
Annual changes in selected economic indicators				
Real GDP (at factor cost) per capita	-1.7	1.8	-9.0	-5.9
Real GDP (at factor cost)	-0.1	3.3	-7.4	-4.4
GDP at current prices	13.3	7.1	--	8.8
Domestic expenditure (at current prices)	14.6	26.9	0.7	-0.1
Gross capital formation	(4.2)	(27.3)	(-12.9)	(-15.6)
Consumption	(21.7)	(26.6)	(8.7)	(7.1)
GDP deflator	13.1	5.0	8.1	9.2
Consumer prices				
Period averages	14.4	11.5	16.7	13.3
End of period	11.6	10.8	15.4	14.1
Central government revenues	10.4	-0.5	-7.2	-0.9
Central government expenditures	23.8	42.4	-7.5	-8.0
Money and quasi-money	19.5	38.5	11.6	2.4
Money	(14.0)	(46.7)	(5.2)	(-23.3)
Quasi-money	(21.9)	(35.1)	(14.5)	(11.1)
Net domestic bank assets 2/	-8.7	51.9	46.3	30.7
Credit to public sector (net)	(-18.9)	(41.8)	(29.6)	(17.0)
Credit to private sector	(17.9)	(15.5)	(11.5)	(5.6)
Merchandise exports (f.o.b.) (in U.S. dollars)1/	2.6	-14.7	-5.2	0.3
Merchandise imports (c.i.f.) (in U.S. dollars)1/	-0.6	38.8	-6.3	-26.0
Travel receipts (gross)	1.5	21.6	-5.8	11.2

Central government finances	1981	1982	1983	1984
	(millions of Trinidad and Tobago dollars)			
Revenues	7,100	7,062	6,556	6,498
Expenditures	6,654	9,476	8,770	8,066
Current account surplus or deficit (-)	3,697	1,289	495	566
Overall surplus or deficit (-)	446	-2,415	-2,214	-1,568
External financing (net)	36	223	216	408
Internal financing (net)	-482	2,192	1,998	1,160
Balance of payments	(millions of U.S. dollars)			
Merchandise exports (f.o.b.)1/	2,608	2,225	2,108	2,115
Merchandise imports (c.i.f.)1/	1,982	2,751	2,577	1,906
Travel (net)	-12	-36	-85	-106
Investment income (net)	-190	-98	-237	-462
Other services and transfers (net)3/	-35	-94	-239	-273
Balance on current and transfer account 3/	389	-755	-1,031	-632
Official capital (net)4/	63	289	207	20
Private capital and errors and omissions (net)	101	196	-153	-137
SDR allocations	11	--	--	--
Change in net official international reserves (increase -)	-564	270	977	748

International reserve position	Dec. 31 1983	June 30 1984	Dec. 31 1984
	(millions of SDRs)		
Central Bank (net)	2,012	1,618	1,386
Rest of banking system (net)	-29	-67	-37

1/ Excludes petroleum for refining under a processing agreement, which was in effect through 1982.

2/ In relation to liabilities to the private sector at the beginning of the period. Excludes contra-entry of SDR allocations.

3/ Excludes official transfers which are included in "official capital (net)."

4/ Includes Central Government and the rest of the public sector.