



Market Conditions

July 2022



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CHARTERED VALUATION

&

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Having experienced unprecedented restrictions implemented as a fight response to the COVID-19 pandemic over the two-year period 2020-2021, and at a time when the economy, both locally and internationally, was poised for recovery, Russia perpetrated an act of aggression by invading Ukraine on February 24th, 2022. This day marked the beginning of what is known as the Russo-Ukrainian War.

The ensuing conflict continues to have an impact on global markets and Trinidad & Tobago has not been insulated from its effects. Most notably, one of the main effects is higher and rising food prices, namely flour prices, and understandably so as Ukraine is the world's fifth largest exporter of wheat. As a result, food inflation in April 2022 rose to 8.7 percent compared to 7.9 percent one month earlier, according to the Monetary Policy Announcement dated June 24th, 2022, issued by the Central Bank of Trinidad & Tobago.

Other highlights from this announcement include:

- Crude oil prices (West Texas Intermediate) averaged US\$120.93 per barrel at mid-June 2022 from an average of US\$108.49 per barrel in March 2022
- Natural gas prices rose from US\$4.88 per mmbtu to US\$8.96 per mmbtu over the same period
- Building material prices have shown significant increases
- The repo rate is maintained at 3.50 percent
- In March 2022, loans to the construction and manufacturing sectors increased by 17.5 percent and 12.3 percent respectively

The Mid-Year Budget Review was delivered on May 16th, 2022, by Finance Minister Colm Imbert, more or less at a time when all significant COVID-19 restrictions have been relaxed. The rising energy prices and absence of restrictions have contributed to increased levels of economic activity. This has been manifested in an actual budget surplus at the end of April 2022 of TT\$1.98 billion as compared to an expected deficit of TT\$5.7 billion, set in October 2021. Revenues may also be supplemented by property tax, which has yet to be implemented in calendar year 2022. GDP has improved and estimated to be at TT\$180 billion from a low of TT\$140 billion in 2020, with a current debt-to-GDP ratio of 72%, or 15% less than the October 2021 projection. It is expected that the Government of Trinidad & Tobago would rely on bolstered revenues to inject investment to create jobs, increase activity and promote social stability. In fact, as a start, supplemental allocations to the Ministry of Finance will be used for the payment of VAT refunds.

On a micro-economic level, having moved from a decline in March 2022, consumer spending is on the upside, which is a good indication that consumer demand is returning to pre-pandemic levels. As such, if this trend is maintained, investor confidence would get a jolt in momentum to meet increased consumer demands, thereby influencing the demand for real estate, which could ultimately affect prices, rental rates, and property voids.

In conclusion, despite overall economic activity being dampened by elevated levels of inflation and the ongoing Russo-Ukrainian conflict, the local economy remains afloat and headed in an upward trending trajectory. However, how well we steer the course to economic recovery will be heavily affected by the country's governance and the tenacity of its people.