



According to the Central Bank of Trinidad and Tobago (CBTT) Economic Bulletin January 2024, economic activity is expected to improve in 2024, supported by thrusts in business activity and increased consumer demand in the non-energy sector. This is overshadowed by constrained gas supplies and lower hydrocarbon production rates, which affect activity in the energy sector. Whilst inflation is expected to remain low in 2024, possible increases in utility rates and the levy of Property Tax are surmised to increase domestic inflation.

According to the aforementioned Economic Bulletin, the Government of Trinidad & Tobago (GORTT) has estimated that the levy of the tax will yield approximately TT\$151.7 million in revenue for the fiscal year (FY) 2023/24. However, due to concerns raised by the public with particular regards to the quantum of the property tax assessments and how these were calculated, Finance Minister Colm Imbert on 15th March 2024 laid a bill in Parliament entitled "An Act to amend the Property Tax Act, Chap. 76:04." One of the features of the Bill is a revised payment adjustment of the Tax from 3% to 2% of the Annual Taxable Value (ATV) of residential properties. Nonetheless, and micro-economically, the Property Tax can influence the cost of accommodation since the tax represents a property expense to homeowners who may seek to recover that expense by passing it on to tenants of their properties.

Another major feature of the economic landscape in FY2023/24 is the increase of the minimum wage from \$17.50 to \$20.50 per hour which came into effect on 01st January 2024. As mentioned in the CBTT's Monetary Policy Report November 2023, it states that the total impact on inflation is assessed to be moderate. This is a sentiment somewhat shared by Economist Dr. Marlene Attz in a Newsday article dated 26th July 2023 wherein she says that businesses may pass on the increased labour costs to the consumer by increasing the price of their goods and services.

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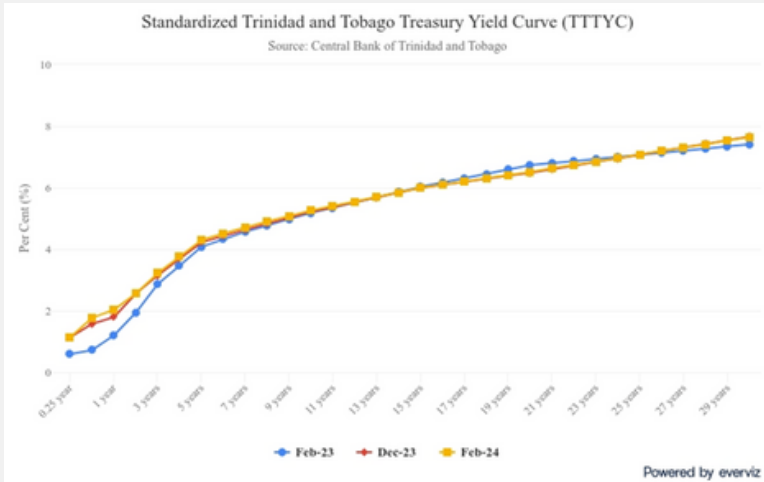


Current Replacement Cost

MARKET CONDITIONS (CONT'D)

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With regards to the energy sector, on 21st December 2023, an agreement was made between the Governments of Trinidad & Tobago and Venezuela to jointly produce and export offshore natural gas from the Dragon Gas Field. The project is expected to yield 185 million cubic feet of natural gas per day. This is anticipated to relieve the shortage in local production which fell from a high of 4.2 billion standard cubic feet per day (bcf/d) to an average of 2.5 bcf/d as stated by the Prime Minister, Dr. Keith Rowley and the Ministry of Energy in a Guardian newspaper article dated 14th September 2022. As such, economic activity in the energy sector is expected to be bolstered.



Global economic growth is forecast at 3.1 percent for 2024 as stated in CBTT's Monetary Policy Announcement dated 28th March 2024 ("the Policy"). Locally, economic recovery was led by the non-energy sector in 2023, and as mentioned earlier, this trend is anticipated to continue in 2024. In looking at Government domestic financing activities, the interest rate on the short-term 0.25 year investment over a six-month period from September 2023 to February 2024 was shown to have increased by thirteen basis points to 1.13 per cent and the 1-year yield increased by thirty-seven basis points to 2.03 per cent (refer graph below), reflecting a fall in excess liquidity over the period.

The Policy also noted growth in financial system credit (7.9 per cent) which was supported by commercial lending (11.5 per cent), consumer spending (9.8 per cent), and real property mortgage lending (4.7 per cent) over the twelve month period to January 2024. In light of the preceding, the Monetary Policy Committee has considered the continued trend in economic recovery as supported by credit expansion in its decision to maintain the repo rate at 3.50 per cent.

The commercial banks' median prime lending rate has remained at 7.50 per cent since March 2020. What is also noteworthy within the banking sector is the recent finalization of the merger of T&T Mortgage Finance (TTMF) and Home Mortgage Bank (HMB) to create the T&T Mortgage Bank (TTMB). At the official launch Finance Minister Colm Imbert said the merger represented a significant milestone for those seeking home ownership, particularly those from low to middle-income backgrounds as it would "propel them from being renters at the mercy of landlords to proud owners of their own castles". "This important merger, undertaken by a serious Government, will allow citizens to use this facility to find viable investments, mortgage solutions, and financing for commercial and residential development, enhancing citizens' quality of life," Mr. Imbert added.

There is much to be observed in the coming months, with particular regard to the impact of the 'Dragon Gas' deal, and the uncertainty introduced by the Property Tax along with its controversial implementation. Additionally, Trinidad & Tobago's economic performance continues to be hampered by the spiraling crime rate which has shown to deter investors and reduce productivity.

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