



Market Conditions

October 2022

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In 2022, economic policymakers throughout the world have been battling high inflation while at the same time, trying to avoid unduly curtailing economic activity. Adding to the existing inflationary pressures caused by supply chain disruptions and Covid-19 stimulus funds, has been the Russian-Ukraine conflict. It was therefore not surprising that in this volatile and uncertain environment, global growth was constrained in the first part of 2022. In its July 2022 World Economic Outlook, the International Monetary Fund (IMF) reduced its growth outlook for 2022 to 3.2 percent, 0.4 percentage points lower than what it had forecast three months prior.

In its July 2022 Economic Bulletin, the Central Bank of Trinidad and Tobago stated that it expects economic activity domestically to improve in 2022 as local energy production is forecasted to benefit from the start-up of several upstream projects. According to its report on the 2022/2023 national budget, which was delivered in September 2022, Ernest & Young (EY) reported that "The daily average crude oil production was 59,700 bopd in the first quarter of 2022, up from the 58,400 bopd recorded in the first quarter of 2021. This, however, represents a decline from the 61,000 bopd achieved in the last quarter of 2021. Natural gas production was 2,720 mmscf/d in the first quarter of 2022, slightly down from the 2,879 mmscf/d recorded in the same period of 2021, but higher than the 2,544 mmscf/d from the last quarter of 2021".

In addition, it is anticipated that energy prices will remain elevated for some time, given the current geopolitical turmoil. In this regard, the EY report stated that "The average WTI crude oil price increased by 59.6% to US\$101.31 per barrel over the period January to July 2022, relative to the same corresponding period in 2021, while Henry Hub natural gas prices experienced stronger growth of 96.0% over the same period to US\$6.21 per mmbtu".

As regards to local unemployment, the Central Bank Bulletin went on to state that the unemployment rate declined to 5.1% in the first quarter of 2022, down from 6.5% in the corresponding quarter in 2021. However, it was also reported that headline inflation increased to 4.9% year-on-year in June 2022, from 3.8% in January 2022.

In the real estate and financial sectors, "loans to the construction industry, which have been growing since the third quarter of 2020, expanded by 25.7 per cent in June 2022" while "lending to the finance, insurance and real estate sub-sector grew by 13.1 per cent" according to the Central Bank Bulletin. On the other hand, price increases in the Index of Retail Prices of Building Materials slowed to 8.4% (year-on-year) during the second quarter of 2022, as compared to 13.2% during the previous quarter.



Market Conditions (cont'd)

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The Bulletin also remarked that while there has been a “decline in the number of residential mortgage applications since June 2020, real estate mortgage lending continues to expand. It speculated that the growth possibly reflects an increase in residential house prices.

Against this backdrop, the 2022/2023 budget is based on an estimated oil price of US \$92.50 per barrel and gas price of US\$6.00 per MMBtu. The total revenue estimated is TT\$56.175B while total estimated expenses is TT\$57.685B, resulting in a deficit of TT\$1.51B. Real GDP contracted by 1 percent in 2021 and is estimated to grow by 2 percent in 2022. Among other highlights are:

- Prices of premium and super gasoline as well as kerosene were increased by \$1.00 per litre while the price of diesel was increased by \$0.50 per litre.
- The cost to travel between Trinidad and Tobago will be increased in 2023 by one third on the airbridge, and by 50% on the sea-bridge. Citizens over 60 who previously travelled free will now have to pay \$25.00.
- The GORTT announced that it will commence the collection of property tax in Fiscal 2023.

All of the above can be expected to further contribute to existing local inflationary pressures affecting the nation. There were, however, steps introduced that cushion some of the impact of these measures. These include:

- The increase in the income tax threshold from \$84,000.00 to \$90,000.00
- The increase in the VAT registration threshold from \$500,000.00 to \$600,000.00
- The relaxation of some of the restrictions under the Government Assistance for Tuition Expenses (GATE) programme.

With all that is taking place currently worldwide, the only thing that seems certain in these perilous times, is that the Trinidad and Tobago economy will continue to struggle with economic recovery alongside the worldwide inflationary pressures. This struggle could necessitate an increase in interest rates to fight local inflation which could then, adversely affect the real estate market in Trinidad and Tobago. Ultimately, the success (or otherwise) of economic recovery can be expected to have a significant impact on the local real estate market.

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