



The January 2023 Economic Bulletin of the Central Bank of Trinidad & Tobago (CBTT) provided highlights of what was expected in terms of the performance of the local economy in 2023. These included an anticipation that economic activity will improve, and the performance of non-energy sectors will be bolstered by increased business activity and continued recovery of consumer demand. It goes on to say that energy prices are anticipated to remain elevated in the short term, but prices are expected to subsequently fall. However, local inflationary pressures will continue to grip the nation.

Advance to 10th May 2023 when the Minister of Finance, the Honourable Colm Imbert delivered the much-anticipated Government's mid-year budget review. One of the main features of his delivery is that he is seeking an additional TT\$3.85Bn which, if Government revenue does not improve, will increase the fiscal deficit by about 280 percent; the original estimate being in the amount of \$1.5Bn. The original expenditure allocation in the 2023 Budget was \$57.68Bn which will rise to a revised expenditure of \$61.53Bn.

The supplemental appropriation of \$3.85Bn is to pay outstanding bills. In fact, the Minister went on to state, inter alia, that VAT refunds would be paid to suppliers and contractors over the last seven years whereby those who are owed arrears of \$250,000.00 or less will be paid in cash in May and June of 2023. VAT refunds in excess of \$250,000.00 will be paid in VAT Bonds which will have a maturity time of three years at a rate of 3.15%.

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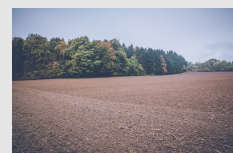
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In an article by Gail Alexander in the Trinidad Guardian dated 12th May 2023, other details were provided on assisted funding, and which included the following:

- \$105M to pay contractors for building schools
- \$103M for construction work on the Hasley Crawford and Dwight Yorke Stadiums
- \$160M for the Local Government Ministry for all corporations, including POSCC workers' backpay and increased salaries
- \$167M for desilting rivers, drainage and landslip repairs and road rehabilitation

With regards to the deficit, this could actually be higher since the projected revenues are expected to be \$1Bn less than originally estimated. The 2023 budget was based on an estimated oil price of US \$92.50 per barrel and natural gas price of US\$6.00 per MMBtu. However, the average oil price over the period 1st October 2022 to 31st March 2023 was US \$81.27 per barrel or approximately US \$11.00 less than estimated. Notwithstanding a fall in the price of oil, Mr. Imbert stated in his presentation that the natural gas price was higher and noted as US \$6.98 per MMBTU over the period October 2022 to March 2023. Additionally, revenue receipts from the petrochemical industry have been healthy, and taxes on income and profit exceeded expectations by \$790M, Mr. Imbert exclaimed.

Another source of revenue for the GORTT would be Property Tax, and its collection was announced in the budget statement 2023, dated 26th September 2022. The Government estimated revenues from the collection of property tax in the amount of \$50M in fiscal 2023. However, a Tax Amnesty 2022/2023, to which Property Tax is included, was in effect, and which was subsequently extended to 30th June 2023.

Subsequent to the honouring of VAT refunds, it may be reasonable to anticipate an increase in spending, and with minimal to no change to the cost of borrowing, assuming the repo rate is maintained by the CBTT at 3.5%, inflationary pressure is likely to continue alongside worldwide inflationary trends. In stark contrast to T&T's hands-off approach to monetary policy by maintaining a 3.5% repo rate since 2020, in the UK, in an attempt to curb rampant inflation, the Bank Rate has steadily risen from 0.1% in December 2021 to 4.25% in May 2023. Likewise, the US Federal Reserve recently approved its 10th increase to a target interest rate range of 5%-5.25%, the highest since August 2007.

Even so, the policy to pay arrears may act as a stimulus for increased business activity in Trinidad & Tobago and which can ultimately have a positive influence on the local real estate market. However, one of the main issues that persists and continues to impinge on the performance of the business community is the high and out-of-control levels of crime which the State Authorities are yet to manage. It is plausible to infer that the T&T economy has significant challenges in the months ahead especially with due consideration to inflation and crime, and which are real considerations affecting the real estate industry. Whether the impact on property markets is positive or negative may be dependent on the policies and strategies adopted by the Authorities and the resilience of market participants.

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