



# MARKET CONDITIONS

G.A. Farrell and Associates Limited



In July 2023, the International Monetary Fund released a forecast, projecting a global growth rate of 3% for the year, down from 3.5% in 2022. However, the global economy faced multiple challenges in the first half of 2023. The ongoing Russia-Ukraine conflict, coupled with monetary policy tightening to combat inflation, had already subdued global economic activity. A new concern emerged with the outbreak of hostilities between Israel and Hamas, raising fears of a potential spike in oil prices. Such an increase could lead to elevated global inflation and threaten the ongoing economic recovery worldwide.

On a more localized front, the Central Bank of Trinidad and Tobago (CBTT) delivered its September 2023 Monetary Policy Announcement, reporting that the country's real GDP had grown by 3% year-on-year in the first quarter of 2023. Encouragingly, headline inflation showed a consistent downward trend, reaching 4.1% year-on-year in August 2023, down from 4.7% in July and 5.8% in June 2023. However, there was a slight increase in the unemployment rate, rising from 4.7% in the fourth quarter of 2022 to 4.9% in the first quarter of 2023.

Furthermore, the report highlighted that steady credit growth continued in the second quarter of 2023. The overall credit within the financial system grew by 7.8% in the twelve months leading to June 2023, an increase from the 6.4% reported in March of the same year. This growth extended to all main loan subcategories, with business lending increasing to 7.3%, consumer loans to 8.1%, and real estate mortgage loans to 6.3%, all on a year-on-year basis. Additionally, liquidity within the banking system remained at elevated levels, with commercial banks' reserves at the Central Bank exceeding the required amounts, reaching an average of \$6.3 billion by the end of August 2023.

## OUR BRANCHES:

### Port of Spain

#23 Ariapita Avenue,  
Woodbrook,  
Port of Spain  
Tel: (868) 624-8628 / 624-6629

### San Fernando

#51 Harris Street,  
San Fernando  
Tel: (868) 657-7162 / 657-5630

### Chaguanas

#9 Mulchan Seuchan Road,  
Chaguanas  
Tel: (868) 238-3697 / 239-2764

### Arima

Shops of Arima,  
#51-59  
Tumpuna Road,  
Arima  
Tel: (868) 230-5321

### Tobago

Unit #5, TATECO Building,  
Wilson Road,  
Scarborough,  
Tobago  
Tel: (868) 639-3077

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These factors collectively created favorable credit conditions, driving the expansion of real estate mortgage credit. As per the July 2023 Economic Bulletin from the CBTT, real estate mortgage lending saw an impressive growth rate of 6.4% in May 2023 compared to 3.5% six months earlier, on a year-on-year basis. The report further indicated that within residential real estate mortgages, 'New Houses,' 'Existing Houses,' and 'Land Purchases' expanded by 2%, 8.3%, and 2.3%, respectively, during the first quarter of 2023, while 'Renovation' loans declined by 6%.

On October 2, 2023, the Minister of Finance, the Honourable Colm Imbert, presented the 2024 Budget Statement in Parliament. Some of the key budget highlights, as outlined in the EY publication "Focus on Trinidad & Tobago Budget 2024," included:

- Total revenue and expenditure for 2024 are forecasted to be \$54.012 billion and \$59.209 billion, resulting in a deficit of \$5.197 billion, equivalent to 2.7% of GDP.
- The average WTI crude oil price saw a significant 25.8% decrease, averaging US\$75.14 per barrel from January to July 2023, compared to the same period in 2022.
- Henry Hub natural gas prices experienced a more substantial drop, declining by 60.9% over the same period to US\$2.43 per mmbtu.
- Trinidad and Tobago's daily average crude oil production in the first quarter of 2023 was 56.1k bopd, down from 59.7k bopd recorded in the first quarter of 2022, marking successive declines.
- Natural gas production stood at 2,713 mmscf/d in the first quarter of 2023, slightly lower than the 2,725 mmscf/d recorded in the same period of 2022 but higher than the 2,576 mmscf/d from the last quarter of 2022.
- A proposed increase in the minimum wage from \$17.50 to \$20.50 per hour.
- The collection of Property Tax was set to be effective in 2024 for residential properties.

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*... residential real estate mortgages, 'New Houses,' 'Existing Houses,' and 'Land Purchases' expanded by 2%, 8.3%, and 2.3%...*

In the executive summary of the EY document, it was noted that, over the past decade, essential economic indicators had seen a decline, primarily attributed to diminishing oil and natural gas production. However, the document emphasized that despite these challenges, Trinidad and Tobago's macroeconomic indicators remained relatively robust when compared to neighboring Caribbean nations. It underlined the importance of vigilance and proactive measures, even though the country possessed economic buffers and was not in a state of crisis. This would seem to be very sound advice.

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| Port of Spain  | San Fernando  | Chaguanas   | Arima  | Tobago  |
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