

The performance of Trinidad and Tobago's economy in 1988 reflected the continuing economic crisis. Almost every economic indicator reflected the downturn. Real GDP fell by 3.8 per cent, following directly on the heels of a 7.4 per cent decline in 1987. There were also widespread declines in production. The distribution sector, where output fell by 9.5 per cent, was the worst affected. Smaller declines were recorded by finance (8.2 per cent), government (7.9 per cent) and petroleum (6.2 per cent). The Central Bank reported that the situation was exacerbated by a sharp contraction of the external payments deficit, equivalent to 1.6 per cent of GDP at current market prices, and by a further narrowing of the fiscal deficit.

However, there are positive indications of diversification in the economy. Oil revenues are decreasing as a percentage of Trinidad and Tobago's total exports, while the non-oil sector is increasing its contribution to total export sales. After five years of negative growth, the deficit was reduced in 1988 from three to 1.3 per cent annually, and there were very distinct and encouraging statistical indications of continued improvement at the end of the first quarter of 1988. As well, recurrent expenditure had reduced by more than 15 per cent and export earnings had increased by 2.1 per cent in the first quarter.

During the first nine months of 1988, inflation fell to an average of 5.7 per cent, down from 7.7 per cent for the same period in 1987. The decline was influenced by such factors as tighter demand-management policies, improvements in productivity and increases in domestic food production. Despite the improvements, the devaluation of the TT dollar in August 1988, as well as the scarcity of food crops, gave rise to concerns about recurring price increases.

In view of the existing financial constraints, Trinidad and Tobago's economy is expected to register negative growth in 1989. Unemployment, which was pegged at 22.1 per cent in 1988 (up from 21.5 per cent in 1987), will be appreciably higher. The decline of foreign reserves will also continue. However, the government's access to International Monetary Fund (IMF) resources under the IMF standby arrangement, and an agreement between the government and several of its creditors to reschedule the external debt, are expected to provide a framework for improved economic performance over the medium-term. A turnaround in the economy is anticipated in 1990.