TRINIDAD AND TOBAGO

ECONOMY

Since 1973, rapid increases in oil revenues transformed Trinidad and Tobago into the wealthiest country in the Caribbean. Although not an OPEC member, it benefitted considerably from increases in global oil prices set by the cartel. Between 1975 and 1980 growth in real terms had ranged from 4.1% to 7.9% annually. During 1981, however, the Trinidad and Tobago economy did not maintain its impressive performance. The rate of growth of the real GDP and Trinidad's balance of payments surplus declined while, at the same time, the government's financial position weakened somewhat.

The change in the country's economic circumstances in 1981 reflected unfavourable developments in both the domestic economy and the wider international scene. With its open economy, Trinidad and Tobago has no protection from the international economy and hence has been adversely affected by the general depressed state of the economies of the rest of the world. At the same time, its domestic economy substantially influenced by developments in the petroleum sector was adversely affected by lower world prices and lower local production. Because of the decline in the output of the petroleum sector, the rate of growth of GDP in nominal terms is expected to have fallen from 36% in 1980 to some 9% in 1981. Non-oil GDP, however, based primarily upon the construction industry, should have grown by some 18% in 1981. For similar reasons, the rate of growth of real GDP which averaged 6% in 1978-80 period, is estimated to have fallen to 5% in 1981. Real growth over the last few years has been generated solely by the non-oil sector with the output of the petroleum sector declining on average by 3% annually.

However, Trinidad and Tobago continues to maintain a strong external position although with the softening of petroleum prices, there was a slow down in the growth of the overall surplus in the balance of payments for 1981. The balance of payments position moved from a deficit of $16 million in 1973 to a surplus of $343 million in 1974 and continued to show large surpluses thereafter. As a result, by the end of 1980, the net foreign exchange reserves had risen to $2,391 million, the equivalent of 14 months imports. Despite the softening of oil prices in 1981, preliminary Trinidadian figures indicate an import bill of $3.8 billion, as against export revenues of $4.9 billion, leading to a surplus of $1.1 billion and national reserves approaching the U.S. $4 billion mark, which now represent approximately 12 months imports.

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