

# CONFERENCE ON THE ECONOMY, 2013

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# LABOR MARKET CHANGES ASSOCIATED WITH THE DUTCH DISEASE.

- Employment in the NT sector increases,
- Employment in the BT sector rises,
- Employment in the NBT sector falls.

**Table 1: Labor market changes associated with the Dutch Disease.**

	L	L <sup>R</sup>	L <sup>S</sup>	L <sup>DD</sup> - L	Overall
NBT	NBT <sub>0</sub>	NBT <sub>1</sub>	NBT <sub>2</sub>	NBT <sub>2</sub> - NBT <sub>0</sub>	-
BT	BT <sub>0</sub>	BT <sub>1</sub>	BT <sub>2</sub>	BT <sub>2</sub> - BT <sub>0</sub>	+
NT	NT <sub>0</sub>	NT <sub>1</sub>	NT <sub>2</sub>	NT <sub>2</sub> - NT <sub>0</sub>	+

# Hirschman Herfindahl index and RCA

Table 2:		
Year	HHI	RCA > 1
1990	0.4809	21
1991	0.466	24
1992	0.4517	22
1993	0.3667	28
1994	0.3297	29
1995	0.313	27
1996	0.3261	28
1997	0.2965	33
1998	0.2817	32
1999	0.3499	34
2000	0.4657	26
2001	0.3307	26
2002	0.4072	29
2003	0.4836	23
2004	0.4298	20
2005	0.5321	19
2006	0.6084	17
2007	0.4832	22
2008	0.5262	18
2009	0.5883	23
2010	0.4252	21
2011	0.4216	21
2012	0.4327	20

## RCA Classifications

Class a	$0 < RCA < 1$	Industries with a comparative disadvantage
Class b	$1 < RCA < 2$	Industries with weak comparative disadvantage
Class c	$2 < RCA < 4$	Medium comparative advantage
Class d	$4 < RCA$	Strong comparative advantage

**Table 3: Transition probability matrix for movement amongst states, 1999 to 2011.**

		to			
		a	b	c	d
from	a	0.913	0.0031	0.014	0.099
	b	0.314	0.487	0.09	0.101
	c	0.213	0.118	0.593	0.112
	d	0.113	0.228	0.065	0.618

**Table 4:Dutch Disease and Change in RCA values**

<b>Master List</b>	<b>1999</b>	<b>2011</b>	<b>change</b>	<b>gain or loss</b>	<b>State to state</b>	
17	1.11	0.38	-0.73	Loss	b	a
46	2.24	1.27	-0.97	Loss	b	b
48	4.46	1.92	-2.54	Loss	d	b
<b>58</b>	<b>1.81</b>	<b>0.9</b>	<b>-0.9</b>	<b>Loss</b>	b	a
59	2.66	1.9	-0.76	Loss	c	b
<b>61</b>	<b>5.96</b>	<b>0.16</b>	<b>-5.8</b>	<b>Loss</b>	d	b
<b>62</b>	<b>3.28</b>	<b>0.62</b>	<b>-2.66</b>	<b>Loss</b>	d	b
<b>72</b>	<b>1.04</b>	<b>0.26</b>	<b>-0.78</b>	<b>Loss</b>	b	a
<b>73</b>	<b>1.1</b>	<b>0.58</b>	<b>-0.52</b>	<b>Loss</b>	b	a
<b>75</b>	<b>1.11</b>	<b>0.37</b>	<b>-0.74</b>	<b>Loss</b>	b	a
91	4.27	1.93	-2.34	Loss	d	b
<b>98</b>	<b>1.26</b>	<b>0.5</b>	<b>-0.76</b>	<b>Loss</b>	b	a
111	15.12	5.83	-9.29	Loss	d	d
<b>112</b>	<b>1.81</b>	<b>0.87</b>	<b>-0.94</b>	<b>Loss</b>	b	a
122	1.11	2.98	1.88	Gain	b	c
333	3.54	1.8	-1.74	Loss	c	b
334	17.63	4.39	-13.24	Loss	d	d
342	14.53	5.12	-9.41	Loss	d	d
343	6.17	24.53	18.37	Gain	d	d
344	41.9	2.38	-39.51	Loss	d	c
512	23.67	12.58	-11.08	Loss	d	d
522	37.1	9.62	-27.48	Loss	d	d
554	3.35	1.31	-2.04	Loss	c	b
562	6.19	3.62	-2.57	Loss	d	c
<b>635</b>	<b>1.43</b>	<b>0.18</b>	<b>-1.24</b>	<b>Loss</b>	b	a
642	3.64	1.56	-2.07	Loss	c	b
<b>661</b>	<b>3.8</b>	<b>0.79</b>	<b>-3</b>	<b>Loss</b>	c	a
<b>665</b>	<b>1.89</b>	<b>0.48</b>	<b>-1.41</b>	<b>Loss</b>	b	a
671	10.36	5.24	-5.12	Loss	d	d
676	14.81	1.32	-13.49	Loss	d	b
<b>691</b>	<b>1.03</b>	<b>0.12</b>	<b>-0.92</b>	<b>Loss</b>	b	a
<b>693</b>	<b>1.24</b>	<b>0.24</b>	<b>-1</b>	<b>Loss</b>	b	a
<b>723</b>	<b>1.04</b>	<b>0.49</b>	<b>-0.55</b>	<b>Loss</b>	b	a
<b>741</b>	<b>1.22</b>	<b>0.09</b>	<b>-1.13</b>	<b>Loss</b>	b	a

**Table 5: Basic macroeconomic fundamentals**

	Real GDP Growth - Total - 2000=100	Total reserves in months of imports (Import Cover)	Gross Official Reserves (\$US mn)	Current account balance (% of GDP)	Inflation Rate %	Unemployment Rate %
<b>1991</b>	2.68	1.92	357.7	-0.1	3.8	18.4
<b>1992</b>	-1.65	1.12	190.2	2.5	6.5	19.5
<b>1993</b>	-1.45	1.53	228.2	2.5	10.9	19.7
<b>1994</b>	3.56	2.3	373.1	4.4	9	18.3
<b>1995</b>	3.95	1.77	379.1	5.5	5.3	17.1
<b>1996</b>	3.95	2.47	563.8	1.8	3.3	16.2
<b>1997</b>	2.7	2.36	723.2	-10.7	3.7	15.0
<b>1998</b>	7.77	2.62	800	-10.7	5.6	14.2
<b>1999</b>	4.39	3.31	962.8	0.5	3.4	13.1
<b>2000</b>	6.13	3.81	1402.8	6.7	3.6	12.1
<b>2001</b>	4.09	5.01	1712.7	4.7	5.5	10.8
<b>2002</b>	8.01	5.35	1760.1	0.9	4.2	10.4
<b>2003</b>	14.43	5.89	2007.5	8.8	3.8	10.4
<b>2004</b>	7.9	6.69	2993	12.8	3.7	8.3
<b>2005</b>	5.76	8.43	4885.7	22.5	6.9	7.9
<b>2006</b>	13.2	9.84	6530.8	39.4	8.3	6.2
<b>2007</b>	4.8	8.72	6673.5	24.7	7.9	5.5
<b>2008</b>	2.7	11.4	9380.3	30.3	12.1	4.6
<b>2009</b>	-3.3	14.1	8651.6	8.5	7	5.3
<b>2010</b>	-0.02	15.8	9070	20.2	10.6	5.9
<b>2011</b>	-1.4	11.9	9822.7	12.3	5.1	5.8
<b>2012</b>	<b>0.2</b>	12.5	9200.1	10.1	9.3	4.9
<b>2013p</b>	<b>1.6</b>	11.7	9054	8.8	4.0	4.7

**Table 6: trends in macroeconomic growth, quarterly data**

Date	Real GDP Growth - Total - 2000=100	Real GDP Growth - Petroleum Sector - 2000=100	Real GDP Growth - Non-Petroleum Sector - 2000=100	Real GDP Growth - Agriculture - 2000=100	Real GDP Growth - Construction - 2000=100	Real GDP Growth - Manufacturing - 2000=100
Mar-08	-0.83	-3.48	1.01	-27.33	2.01	1.97
Jun-08	-0.83	-1.73	-0.23	13.22	4.14	-6.54
Sep-08	2.67	4.49	1.48	20.15	-0.98	2.49
Dec-08	-2.08	-3.43	-1.16	12.16	-2.17	-6.7
Mar-09	-4.56	-0.1	-7.49	-34.3	-2.87	-3.01
Jun-09	0.79	2.24	-0.24	-4.96	1.92	1.07
Sep-09	-0.45	-2.47	1.02	52.45	3.06	2.79
Dec-09	5.21	7.66	3.49	8.61	-5.5	-0.72
Mar-10	-3.42	-1.79	-4.61	-47.65	1.12	-2.67
Jun-10	-2.33	-2.33	-2.32	2.44	-7.52	-0.32
Sep-10	2.32	1.95	2.6	37.86	2.92	4.74
Dec-10	0.2	-1.54	1.51	16.86	-1.58	1.11
Mar-11	-2.57	-1.43	-3.4	-40.54	-0.46	-4.7
Jun-11	1.77	2.69	1.08	8.7	-6.27	4.58
Sep-11	-1.69	-5.21	0.96	31.41	10.57	1.13
Dec-11	0.41	-3.7	3.31	21.96	-1.77	-1.89
Mar-12	0.08	6.12	-3.9	-47.79	-5.75	-6.15
Jun-12	-1.63	-4.3	0.31	6.36	-5.69	2.9
Sep-12	3.12	2.84	3.31	49.36	16.03	6.5
Dec-12	-0.6	-4.26	1.92	22.86	-0.81	-2.1
Mar-13	0.74	6.64	-3.09	-46.83	-5.1	-4.23
Jun-13	-1.15	-3.23	0.33	4.52	-5.27	3.94

# TABLE 7: BUDGET ARITHMETIC

	real budgeted price of oil	bpt/apt-1	total production (000 barrels)	Real GDP
1991	36.1	103.2	52423	30359.6
1992	35.4	106.4815	49195	31060.3
1993	29.2	101.9417	45203	31215.2
1994	24.2	102.7027	47843	31288.9
1995	20.0	96.49123	47690	34556.5
1996	20.5	95.1087	47171	36338.5
1997	22.6	99.0099	45190	38836.2
1998	20.3	93.13725	44888	41816.1
1999	14.6	97.91667	45689	46280.0
2000	16.0	83.33333	43681	51370.7
2001	20.8	72.84768	41469	53516.0
2002	20.0	76.92308	47690	57759.2
2003	19.3	84.94208	48981	66084.4
2004	21.1	78.86435	44985	71915.7
2005	19.8	60.24096	52740	75785.6
2006	23.9	58.0531	52105	89795.4
2007	33.8	75.75758	43807	89874.3
2008	27.2	62.24066	41828	92334.0
2009	31.0	55.20426	39117	89306.3
2010	33.2	104.9233	35854.9	89285.1
2011	36.4	94.36336	33551.6	88060.8
2012	35.6	84.31703	29914	89117.5
2013p	34.0	84.21053	29992	90543.1



**Table 8: Proposed Methanol Plant Start-ups in North America, 2011-2016**

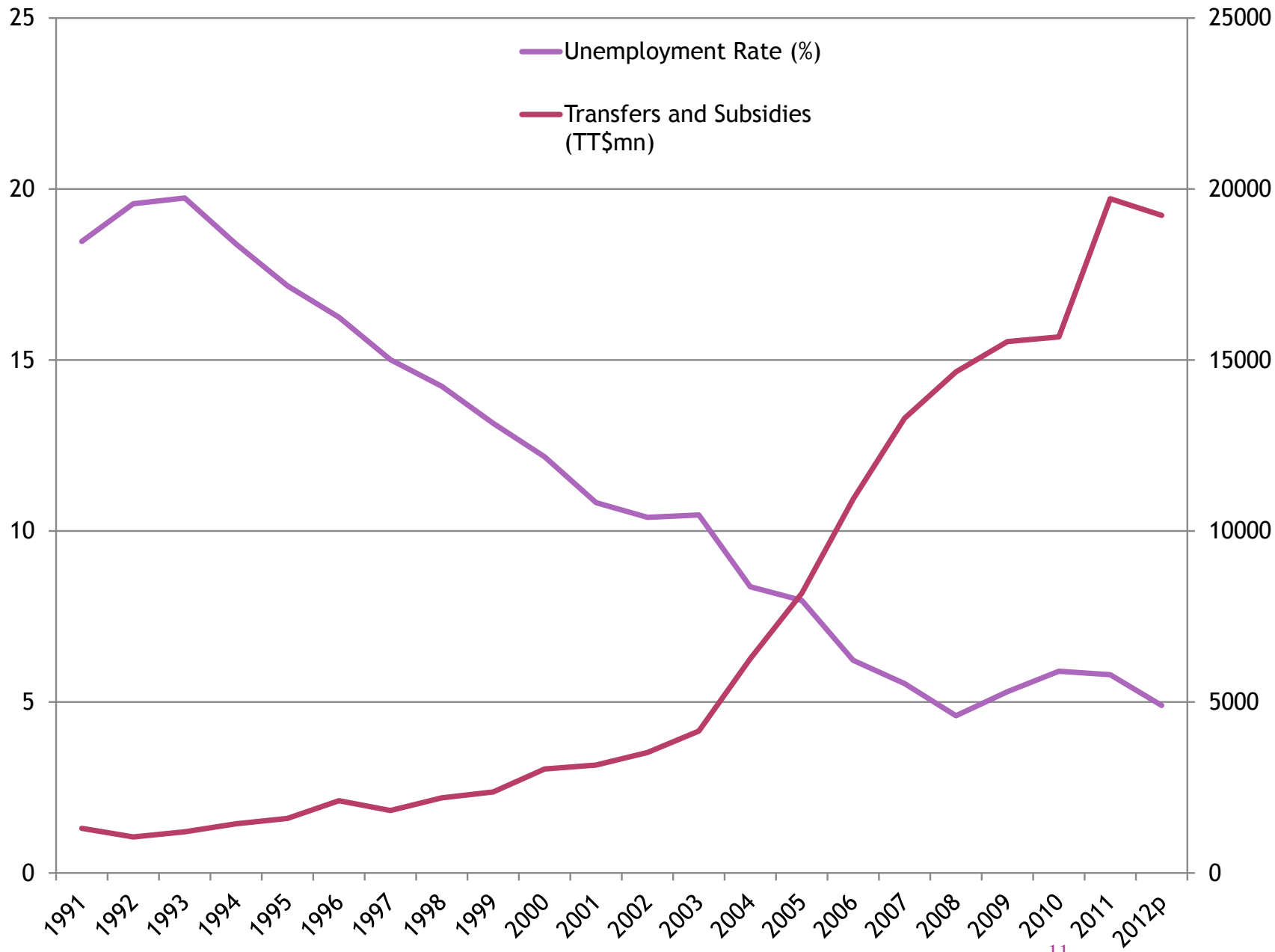
Company/Project	Capacity (million tpa)	Start-up Date
Methenex, Alberta, Canada.	0.47	Restart of idled plant, April 2011
OCI North America, US	0.85	Restart of idled plant, H2 2012
LyondellBaseil, US	0.78	Restart of idled plant, H2 2013
Methanex, Canada	0.09	Debottleneck Medicine Hat, H2 2013
Methenex, Geismar, US	1	Relocating plant form Chile, 2014
G2x Energy, US	0.07	
Celanese, Clear Lake, Texas	1.3	New plant, H2 2015
South Louisiana Methanol	1.8	New Plant: 2016
LCCE, Louisiana, US	1	
Methanex, Geismar, US	0.9	Possible 2nd Chile plant, post 2014
Total Capacity	8.26	

**TABLE 9: UNEMPLOYMENT RATES BY GEOGRAPHIC AREA**

<b>Year</b>	<b>Unemployment rate in T&amp;T</b>	<b>Unemployment rate Tobago</b>	<b>St. George</b>	<b>N/M</b>	<b>Pt. Fortin</b>
1991	18.5	19.4	19.8	15	25.9
2000	12.1	8.8	12.2	13.5	20.7
2001	10.8	12.5	10.1	14.3	22.4
2002	10.4	8.3	10.9	15.8	18.4
2003	10.5	8.0	11.1	15.9	24.4
2004	8.3	4.1	8.5	10.7	19.1
2005	8.0	4.7	6.9	20.4	15.1
2006	6.2	4.9	5.0	17.7	8.9
2007	5.5	3.8	3.8	20.9	16.7
2008	4.6	4.3	2.7	18.1	12.9
2009	5.3	4.5	3.5	12.7	13
2010	5.9	4.8	3.8	15.1	12.1`
2011	4.9	4.6	2.8	13.3	18.1

Source: CSSP (Various years).

FIGURE 2: LABOUR MARKET: NEED TO LOOK BEYOND UNEMPLOYMENT RATES



# CEPEP

Fiscal Year	Budget Allocation (Millions)
May to September 2002	\$75
2003	\$155
2004	\$225
2005	\$244
2006	\$423
2007	\$350
2008	\$328
2009	\$330
2010	\$319
2011	\$320
2012	\$320
2013	\$468

Source: Social Sector Investment Programme Reports (Various Years)

**Table 11: Imports of food , TT\$m**

	1991	2001	2011
<b>Live animals except fish</b>	6.35	2	1.92
<b>Meat &amp; preparations</b>	158.64	152.95	590.61
<b>Dairy products &amp; eggs</b>	254.32	331.72	680.39
<b>Fish/shellfish/etc.</b>	34.37	53.43	229.91
<b>Cereals/cereal preparatn</b>	291.33	428.57	760.22
<b>Vegetables and fruit</b>	286.99	326.12	847.02
<b>Sugar/sugar prep/honey</b>	46.49	137.82	478.92
<b>Coffee/tea/cocoa/spices</b>	40.51	68.76	173.6
<b>Animal feed ex unml cer.</b>	122.23	143.5	330.76
<b>Misc food products</b>	85.25	217.42	594.57
<b>Total</b>	1326.47	1862.29	4697.91

# Table 12: Improper use of subsidies and economic rents

	Transfers and Subsidies (TT\$mnn)	Central Gov't Current Revenue - Oil (TT\$mns)	Non-Institutional Population (000's)	Unemployment Rate (%)	Real Economic growth Rate	Unemploy ment (000's)
1991	1305.2	2,717.5	837.2	18.4	2.68	91.1
1992	1054.3	1,817.5	841.0	19.5	-1.65	99.1
1993	1203.9	1,804.4	847.9	19.7	-1.45	99.9
1994	1437.4	1,895.9	857.2	18.3	3.56	93.7
1995	1597.4	2,554.7	864.8	17.1	3.95	89.3
1996	2114.5	3,060.7	876.6	16.2	3.95	86.1
1997	1828.1	2,020.5	896.6	15.0	2.7	81.1
1998	2199.3	1,151.5	913.4	14.2	7.77	79.4
1999	2369.8	1,999.6	926.0	13.1	4.39	74.0
2000	3041.1	4,403.6	936.1	12.1	6.13	69.5
2001	3157.4	3,508.5	954.9	10.8	4.09	62.4
2002	3525.5	3,668.7	961.8	10.4	8.01	61.1
2003	4148.8	6,904.6	968.2	10.4	14.43	62.3
2004	6268.2	8,159.3	973.6	8.3	7.9	51.1
2005	8177.3	15,851.8	979.0	7.9	5.76	49.6
2006	10934.5	21,111.5	978.2	6.2	13.2	39.0
2007	13296.7	19,365.9	980.8	5.5	4.8	34.5
2008	14653.3	31,100.5	987.1	4.6	2.7	29.1
2009	15539.6	15,330.4	991.1	5.3	-3.3	32.6
2010	15676.6	19,123.2	997.1	5.9	-0.02	36.7
2011	19717.6	23,292.8	1,005.7	5.8	-1.4	31.1
2012	19632.2	9,618.3	1,009.5	4.9	0.2	33.8
2013p		11,428.5*	-	-	-	-

**Table 13: Transfers and subsidies 2013**

Country	Transfers and Subsidies 2012 (in percent of GDP)
Grenada	3.48
St. Kitts & Nevis	4.35
Belize	4.35
The Bahamas	5.22
Dominica	5.22
St. Lucia	6.09
Anguilla	6.09
Antigua & Barbuda	6.96
Guyana	6.96
St. Vincent & The Grenadines	6.96
Suriname	7.83
Barbados	11.31
Trinidad and Tobago	19.14

**Table 14: Fuel Subsidy claimed on types of Fuel**

Calendar year	Subsidy Claimed (TT\$m)						
	Premium 95 RON	Super 92 RON	Regular 83 RON	Auto Diesel	Kerosene	LPG	TOTAL
<b>2007</b>	411.87	579.43	18.97	1,144.33	17.66	38.04	2,210.30
<b>2008</b>	638.55	816.31	23.08	2,061.03	28.57	50.42	3,617.95
<b>2009</b>	(5.69)	517.73	9.05	1,000.14	12.81	65.80	1,599.84
<b>2010</b>	95.33	927.46	14.35	<b>1,792.17</b>	20.78	69.23	<b>2,919.32</b>
<b>2011</b>	236.22	1,634.21	26.30	<b>2,407.65</b>	34.43	74.11	<b>4,412.93</b>
<b>2012</b>	203.91	1,863.09	23.37	<b>2,352.11</b>	31.36	74.11	<b>4,547.95</b>
<b>2013 YTD (July 2013)</b>	23.99	1,165.29	11.93	1,331.43	16.57	48.51	2,597.71

Source: Ministry of Energy and Energy Affairs, 2013



**Table 15: Motor Vehicles on Register**

Year	Private	Hire and Rented	Omnibus	Goods Vehicles	Tractors and Trailers	Motor Cycles	Industrial	Total Registered	Real GDP
1991	139310	22853	288	35943	7357	2185	386	208322	30359.6
2010	372853	42 635	644	96 061	15 693	5 995	1 294	535175	89285.1
2011p	373244	42912	673	96824	15964	6106	1324	537047	88060.8

# (US\$ per liter)

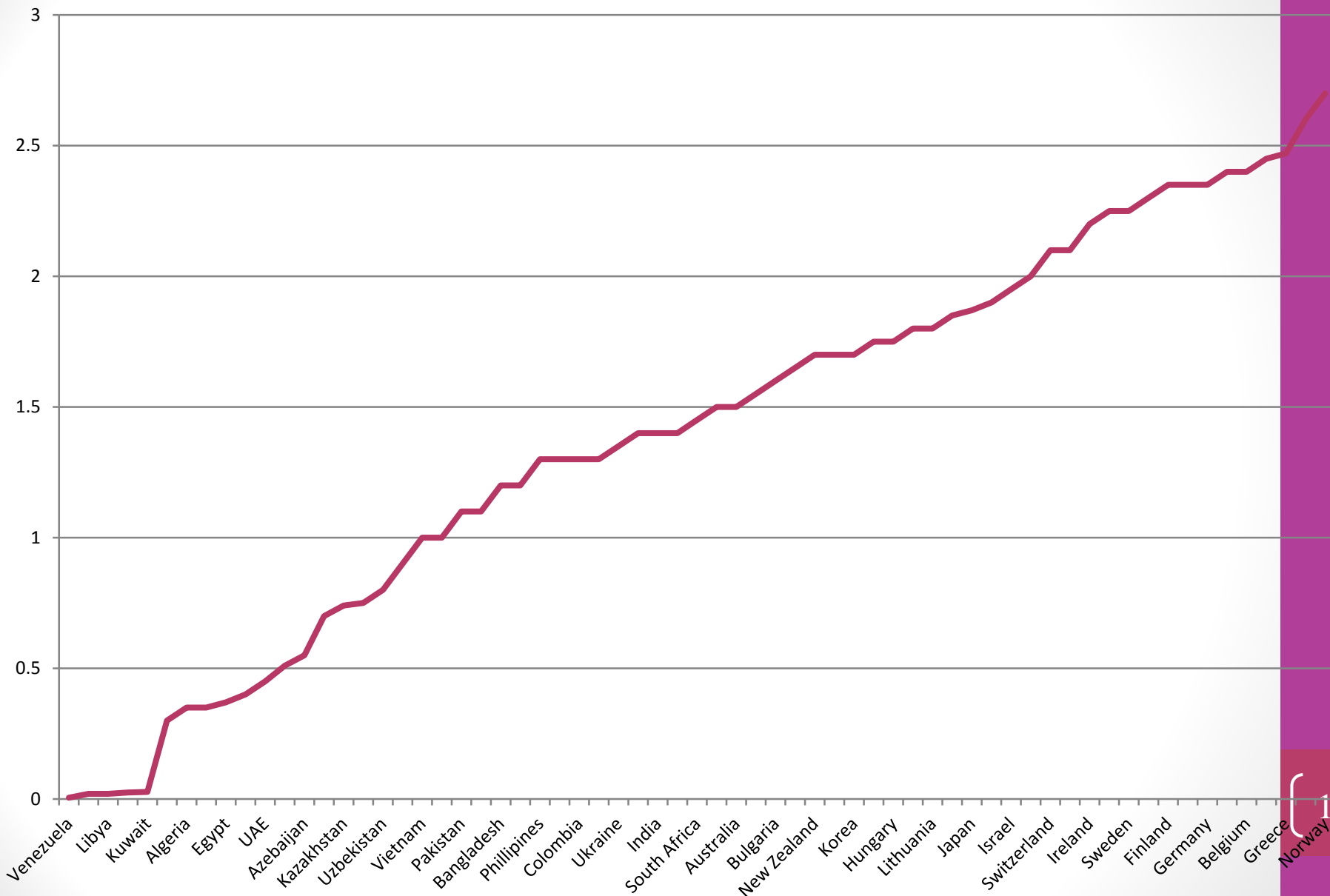
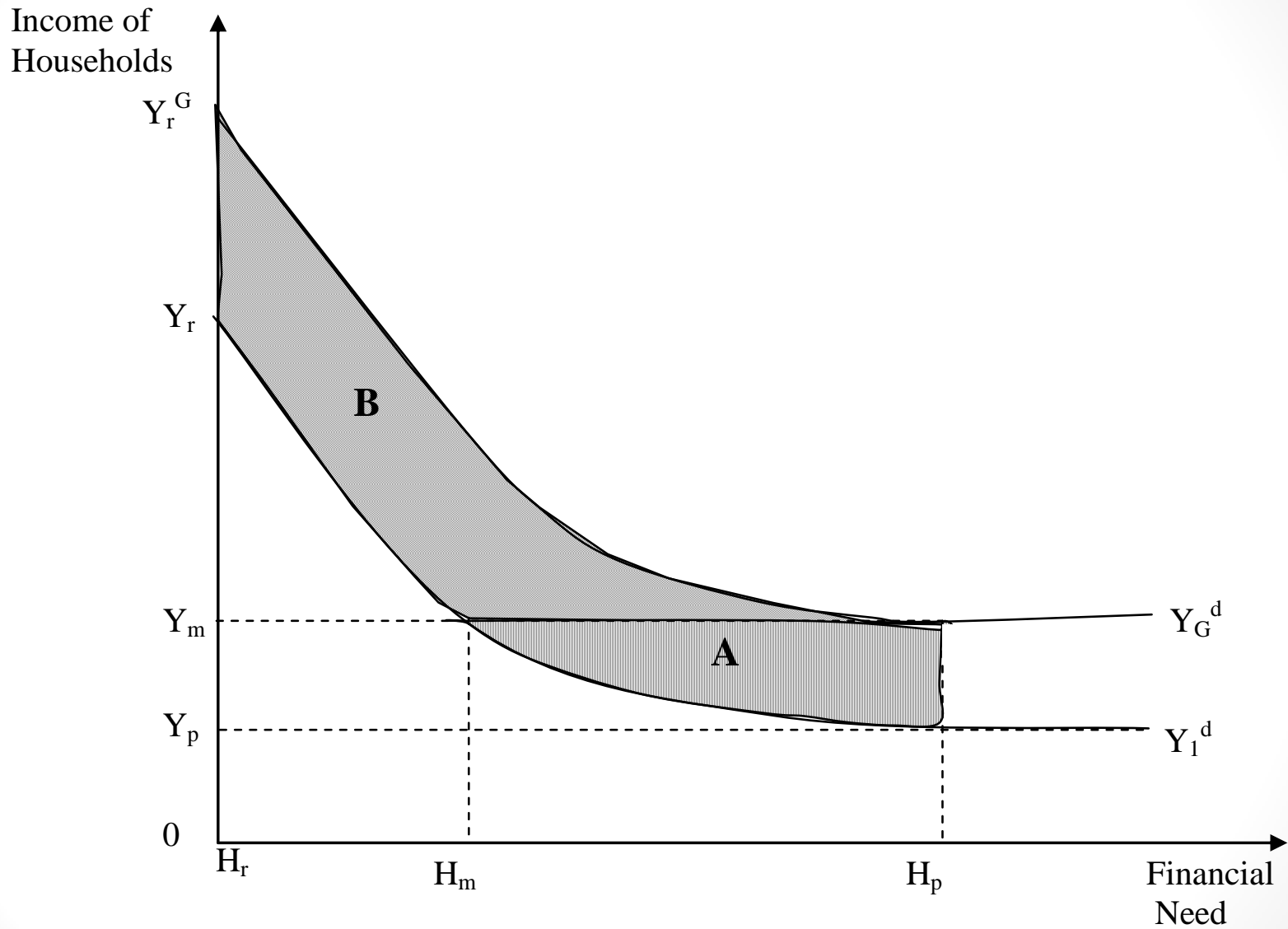


Figure 3: Effect of "Oil Windfall" GATE on Income of Households Pursuing TLE



# Areas where some change can be considered

- We need to perhaps consider using more of our gas downstream and more intensively in house to produce higher valued products. The Mitsubishi deal is a step in that direction and this must become the norm to maximize backward linkages associated with the forward linkages related to our exploration activities
- Form a diaspora unit similar to Jamaica or St Lucia or Guyana. Go after the diaspora and design a strategy with the EXIM bank to attract 1000 investors from the diaspora with US\$1mn each or thereabouts. It is this type of Lewisian strategy that carried us for the period of the 1970s, 1980s and 2000-2013. This must become a front burner issue as we seek to “recapitalise our growth process” and enhance our diaspora connections and search for more diversified niche export markets – remember ‘every enquiry into industrialization, must begin with the market’.
- The New York Based Travel and Leisure has chosen two resorts in St Lucia as the top two in the Caribbean (Jade Mountain Resort and Anse Chastanet), ranked as #1 and #2 in the Caribbean and 14 and 21 respectively in the world.

- Increase capital expenditure to augment the supply side of the economy and foster diversification.
- Improve non-oil sector revenues collection – property tax.
- Save more resource wealth.
- Maintain horizontal efficiency but reduce vertical inefficiency.
- Need to overhaul public sector efficiency and lay the ground work for public and private sector investment.
- CSO needs a new office space and some investments.
- Perhaps this budget should have granted the EDB a larger budget and greater autonomy.
- Transfers and subsidies will continue to account for nearly 50% of government expenses and this in my view is the most significant oversight of this budget statement. In my humble opinion, we have yet again missed the efficiency reallocation benefits, associated with actively changing the “frico” mentality.

- Thank you