

# COTE 2014

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# OUTLINE OF PRESENTATIONS

- ◉ Macroeconomic performance
- ◉ Trend in factor endowment bundle and the diversification matrix of the T&T economy
- ◉ Rent absorption
- ◉ Minimizing wastage: GATE, CEPEP, Fuel Subsidy
- ◉ Concluding comments



⦿ In 2014, Bolt's fastest time was 9.98

**Table 1: Basic macroeconomic fundamentals of the economy, 1991- 2014**

	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 %
1991	2.68	1.92	357.7	-0.1	3.8	18.4
1992	-1.65	1.12	190.2	2.5	6.5	19.5
1993	-1.45	1.53	228.2	2.5	10.9	19.7
1994	3.56	2.3	373.1	4.4	9	18.3
1995	3.95	1.77	379.1	5.5	5.3	17.1
1996	3.95	2.47	563.8	1.8	3.3	16.2
1997	2.7	2.36	723.2	-10.7	3.7	15.0
1998	7.77	2.62	800	-10.7	5.6	14.2
1999	4.39	3.31	962.8	0.5	3.4	13.1
2000	6.13	3.81	1402.8	6.7	3.6	12.1
2001	4.09	5.01	1712.7	4.7	5.5	10.8
2002	8.01	5.35	1760.1	0.9	4.2	10.4
2003	14.43	5.89	2007.5	8.8	3.8	10.4
2004	7.9	6.69	2993	12.8	3.7	8.3
2005	5.76	8.43	4885.7	22.5	6.9	7.9
2006	13.2	9.84	6530.8	39.4	8.3	6.2
2007	4.8	8.72	6673.5	24.7	7.9	5.5
2008	2.7	11.4	9380.3	30.3	12.1	4.6
2009	-4.4	14.1	8651.6	8.5	7.2	5.3
2010	0.02	15.8	9070	20.2	10.4	5.9
2011	-2.6	11.9	9823.7	12.3	5.2	4.9
2012	1.2	11.6	9201.1	5.0	9.3	5.0
2013	1.6	11.7	9986	11.8	5.2	3.6
2014p	2.3	12.7	10430	11.5	3.7	3.6

Table 2. Trends in some aspects of the factor endowment portfolios of T&E economy, 1966 - 2009.

	US\$ FDI m	Labor force (000)	crude oil production (m barrels)	Natural gas production (m of cubic meters)
1966	24.9	351	55.603	3367.6
1970	83.2	364	51.043	3428
1975	93	391	78.621	3580.2
1980	184.5	431	77.608	5601
1985	104	474	64.361	7550
1990	109.4	467.6	55.2	6645
1995	298.9	521	48.1	7757
2000	654.3	572.9	43.6	15473
2005	598.7	623.7	52.7	33,053
2006	512.7	625.2	52.1	39,296
2007	<b>830.0</b>	622.4	43.8	41,250
2008	<b>2,800.8</b>	626.7	41.8	42,240
2009	<b>709.1</b>	620.9	39.1	45228
2010	<b>549.4</b>	618.8	35.8	47647
2011	<b>1,831.0</b>	611.6	33.5	45709
2012	<b>2,452.9</b>	628	29.9	44516
2013p	<b>1,712.6</b>	640	29.2	42457

Source: CSO data.

### Table 3: Projected labour force demand

	level of gdp	Number of people actual and 'supplied' by natural labour force increases	Number of people actual and required to work using a historical output per worker ratio the scaling factor	Unmet Domestic Labour needs (000)
1995	40	431.6	431.6	
2012	98.4	596.9	596.9	
<b>2013</b>	<b>100</b>	<b>624.5</b>	<b>624.5</b>	
2014	102.5	634.5	640.6	6.1
2015	105.6	644.7	659.9	15.1
2016	108.7	655.1	679.6	24.5
2017	112	665.6	700	34.4
2018	115.4	676.3	721	44.7
2019	118.8	687.2	742.7	55.5
2020	122.4	698.3	764.9	66.7
2021	127.3	709.5	795.6	86.1
2022	132.4	720.9	827.4	106.5
2023	137.7	732.5	860.4	127.9
2024	143.2	744.3	894.9	150.6
2025	148.9	756.2	930.7	174.5

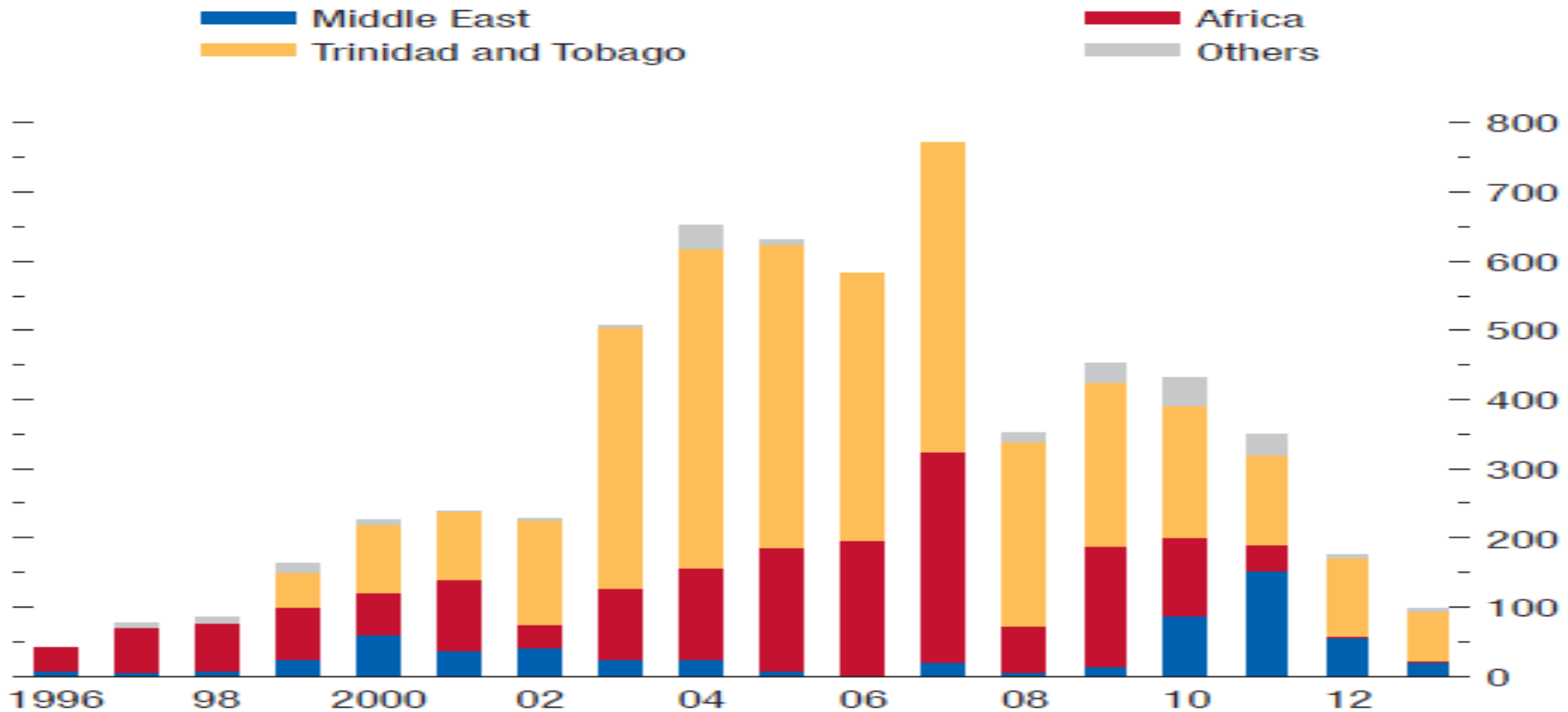
Table 4: Summary in BT, NBT and NT segments of the economy

Real Value added				Employment			
	BT	NBT	NT		BT	NBT	NT
2008	36600.3	8016.1	47804.1	2008	18800	56700	511600
2012	35644	8244.7	43225.2	2012	17200	51500	518700
employment shares				change in employment shares			
	BT	NBT	NT		BT	NBT	NT
2008	0.032	0.097	0.871	1993-2008	-0.006	-0.044	0.05
2012	0.03	0.089	0.881	2008-2012	-0.002	-0.007	0.01
Output per worker				change in output per worker			
	BT	NBT	NT		BT	NBT	NT
2008	1946824.5	141377.4	93440.4	2008-2012	125501.1	18713.8	-8468.5
2012	2072325.6	160091.3	84971.9				

# IMPLICATION: LOSS OF USA'S LNG MARKET

- Certainly, development in the USA as concerns LNG will have and indeed has already had a significant impact on the export of LNG from Trinidad and Tobago as prior to the USA's rise to self-sufficiency, Trinidad and Tobago exported between 75% and 80% of its LNG to that market. This has since diminished to 13.6% during the October 2012 to April 2013 fiscal period, as the USA's domestic natural gas production has reduced its need for imports of the same.

*(Billions of cubic feet)*



Source: U.S. Energy Information Administration.



## TABLE 5: EVALUATING POLICY SUCCESS AT ECONOMIC DIVERSIFICATION

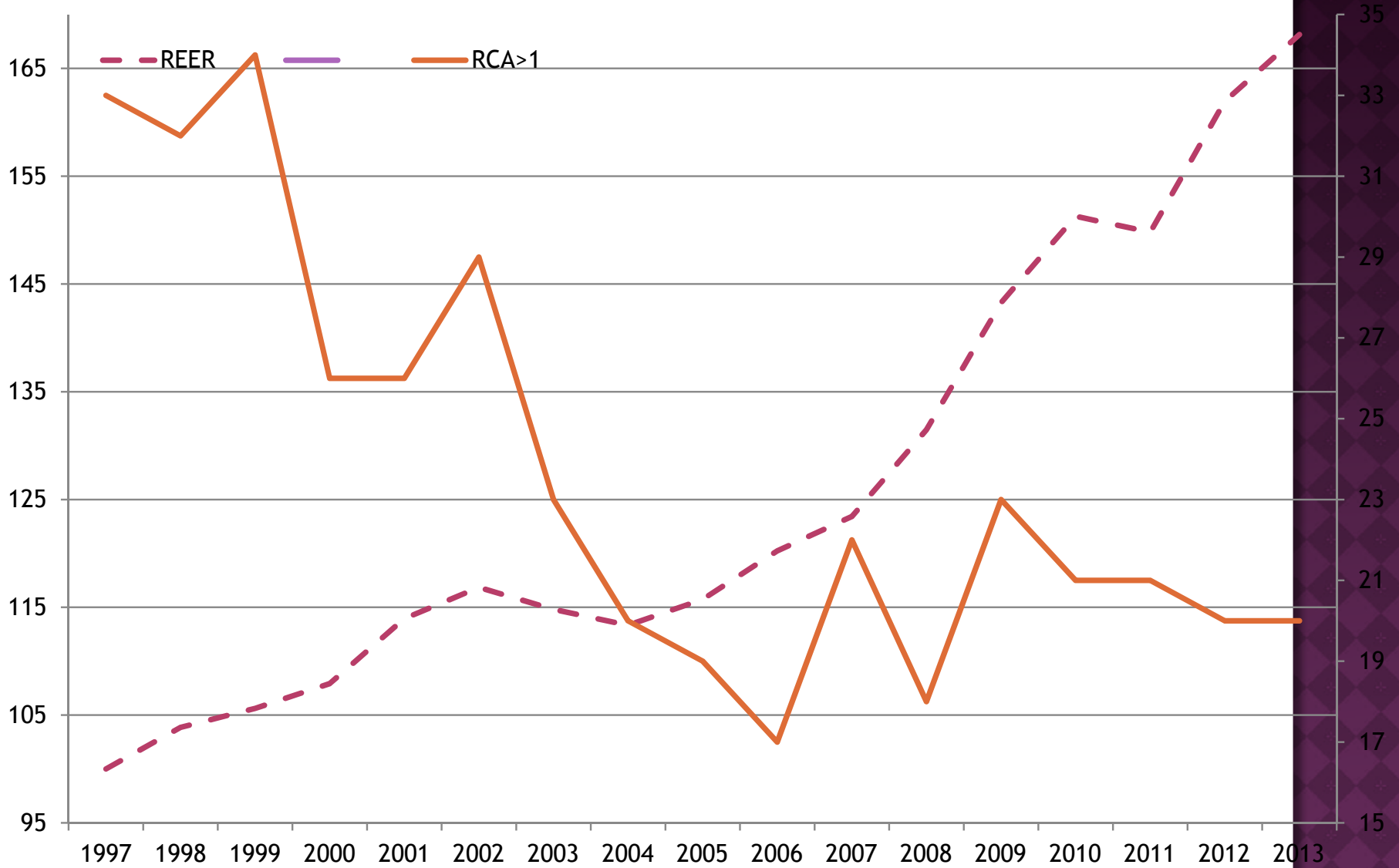
### RCA Classifications

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 5: Transition probability matrix for movement amongst states, 1999 to 2012.

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

# FIGURE 1: REER AND RCA > 1



# REDUCING RENT ABSORPTION: HERITAGE AND STABILIZATION FUND

Excess Revenues = AER-FER

Where AER= actual energy revenues, FER is Forecasted energy revenues.

i.e.  $AER-FER \geq 10\%$ , savings occurs.

FER is the expected price of oil times expected production, where the expected price of oil and gas used is an 11 year moving average, 5 from the past, 5 from the future and the current year. The savings rule states that if energy revenues occur above the 10% threshold, then 60% of this excess revenues at a minimum goes into the HSF, in a favourable year.

$$HSF_{t+1} = HSF_t + \lambda ER$$

Where  $0.6 \leq \lambda \leq 1$

## Table 6: Reducing wastage: Unemployment Rates by Geographical Area

Year	Unemployment rate in T&T	N/M	Pt. Fortin	CEPEP Fiscal budgetary allocation TT\$	Employment in Community social and personal employment (CSP)	Employment in Agriculture	Employment in Manufacturing	Food Import TT\$m
2002	10.4	15.8	18.4	\$75	158100	36115	56568	2152
2003	10.5	15.9	24.4	\$155	163200	31402	55806	1998
2004	8.3	10.7	19.1	\$225	175300	26003	60296	2340
2005	7.9	20.4	15.1	\$244	176500	25030	56599	2640
2006	6.2	17.7	8.9	\$423	181100	25749	56185	3220
2007	5.5	20.9	16.7	\$350	178600	22413	55379	3166
2008	4.6	18.1	12.9	\$328	179500	23000	56000	3904
2009	5.3	12.7	13	\$330	182500	22900	53100	4955
2010	5.9	15.1	12.1`	\$319	192300	21500	52100	4409
2011	4.9	13.3	18.1	\$320	192800	21738	48700	4603
2012	5	13.7	10.4	\$320	198400	22283	48713	5597.1
2013p	3.6			\$468	198900	19200	48400	6381

Source: CSSP (Various years).

**Table 7: Underemployment as a % of total employment in the national economy and in the manufacturing and community, social and personal services sectors**

	National Underemployment %	Manufacturing	Community, Social and Personal Services
2012	7.65	3.96	12.89

**Table 8: Some Performance indicators in the manufacturing sector, 2005-2013**

	Capacity Util	Employment
2005	Na	56599
2006	Na	56184
2007	Na	55378
2008	Na	56000
2009	68.3	56000
2010	66	53100
2011	67.9	50178
2012	64.3	49713
2013p	64.3	49976

**Table 9: Reducing wastage: Total Expenditure through GATE on Private and Public Institutions; Number of Beneficiaries of GATE Funding**

<b>Fiscal Year</b>	<b>Number of Students Receiving GATE Funding</b>	<b>GATE funding, TT\$m</b>
2004/2005	27,214	250.0
2005/2006	38,669	258.0
2006/2007	57,328	450.0
2007/2008	53,437	633.5
2008/2009	52,822	625.0
2009/2010	53,711	624.9
2010/2011	45,040	750.3
2012/2013	59473	726.1
2013/2014		650.4

Source: Franklin, Ince, Hosein (2014)

**Table 10: Distribution of income in TT**

<b>Income Group (TT\$)</b>	<b>% Distribution of households by Household Income Group (HIG)</b>	<b>% Accessing GATE Funding by IGH</b>
<b>All Income Groups</b>	100.0	0.9
<b>Less than 1,000</b>	2.0	0.5
<b>1,000-2,999</b>	10.4	0.2
<b>3,000-4,999</b>	17.0	0.3
<b>5,000-6,999</b>	17.2	1
<b>7,000-8,999</b>	14.0	1.8
<b>9,000-10,999</b>	11.7	4.6
<b>11,000-12,999</b>	7.6	2.9
<b>13,000-14,999</b>	5.2	5.5
<b>15,000-16,999</b>	3.9	1.5
<b>17,000-18,999</b>	2.9	7.9
<b>19,000 and over</b>	8.3	5

**Source: Trinidad and Tobago Household Budget Survey 2008/2009**



**Table 11: Reducing wastage: Total Fuel Subsidy Claimed 2000-2013  
(TT\$million)**

Calendar year	Subsidy Claims (TT\$m)	Fuel subsidy as a % of Government Revenue	Number of cars on road	Global Competitiveness Index
2000	449	3.39%	316163	
2001	323	2.40%	331595	
2002	339	2.33%	347326	
2003	491	2.75%	361106	
2004	913	4.14%	381466	
2005	1,622	5.08%	408341	66
2006	1,683	4.36%	441541	67
2007	2,210	5.49%	468255	84
2008	3,618	6.26%	491814	92
2009	1,600	4.25%	495572	86
2010	2,919	6.57%	535175	84
2011	4,413	8.90%	564243	81
2012	4,548	11.40%	591526	84
2013p	4421.0		623427	92

## Table 12: Improving economic surveillance: revamping CSO and CBTT

	ROTE 2006	ROTE 2007	ROTE 2008	ROTE 2009	ROTE 2010	ROTE 2011	ROTE 2012	ROTE 2013	ROTE 2014
2006	86941.2 p	84794.6r	85193.2r	86028.0r	85795.4r				
2007		89444.8p	89876.5r	90005.4r	89874.3r	89874.3			
2008			93024.5p	92071.5r	92000.7r	92334.0e	92922.6r		
2009				91273.3p	88744.5r	89306.3r	88841.7r	88841.7	
2010					90975.0p	89285.1e	89029.2r	89029.2	88759.1r
2011						88060.8p	86731.3r	86731.3	88765.3r
2012							87810.9p	87810.9p	89977.9r
2013								89251.5p	91543.3r
2014									93252.5p

## Closing comments

- ◉ Evidence of the resource curse as indicated by “men of a fat and fertile soil behaviour” CHOGM (Commonwealth Heads of Government Meeting) and the Fifth Summit of the Americas.
- ◉ Evidence of the Dutch Disease evidenced by an **appreciating REER**.
- ◉ The lack of diversification in the TT economy - **Revealed Comparative Advantage**.
- ◉ Evidence of a **Baumol Cost Disease via a shift share analysis**
- ◉ The extent of **underemployment in the economy**
- ◉ The size of the public debt and the persistence of fiscal deficits. Money entering HSF in years when it should not have been entering.
- ◉ The stagnation of the energy sector and the shale gas threat in the USA.
- ◉ A stagnating agricultural sector and a manufacturing sector that has been losing workers whilst **the Make Work programs thrive**.
- ◉ A rising **transfer and subsidies outlay**. Fuel subsidies and diesel subsidies and GATE programs

**THANK YOU**

**QUESTIONS AND COMMENTS**