TRINIDAD AND TOBAGO

Table 1	2023
Population, million	1.5
GDP, current US$ billion	27.4
GDP per capita, current US$	17847.9
School enrollment, primary (% gross)[a]	97.6
Life expectancy at birth, years[a]	74.7
Total GHG emissions (mtCO2e)	23.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Trinidad and Tobago is a high-income country, with a corresponding level of human development. Substantial financial reserves maintain stability amid energy sector fluctuations. The government aims to diversify the economy, enhance the business environment, and improve public services. In 2023, GDP grew by 1.3 percent, driven by the non-energy sector. The medium-term outlook is cautiously optimistic, but risks include global energy price volatility and potential delays with internal reforms and energy sector investments.

Key conditions and challenges

Trinidad and Tobago exhibits several economic strengths, including solid human development and robust financial buffers. The country's human capital indicators compare favorably to those of the rest of Latin America and the Caribbean and are bolstered by substantial government investments, fostering a knowledge-based economy essential for adaptation to globalization and technological advancements.

However, Trinidad and Tobago's economy remains heavily dependent on the energy sector, which accounts for only 2.4 percent of workers, but over one-third of GDP and over two-thirds of exports. This reliance makes the country vulnerable to global energy price fluctuations and production issues. To balance its maturing energy sector with the shift toward a low-carbon economy, efforts are being made to cut greenhouse gas emissions and increase renewable energy use.

The economy is supported by significant reserves and the Heritage and Stabilization Fund, which buffer against economic shocks. These reserves, as well as political stability, help stabilize the economy during periods of fluctuating oil and gas prices, crucial for the nation's fiscal health. Prudent management of natural resource revenues and a focus on diversification of its economic base are also essential for advancing economic development.

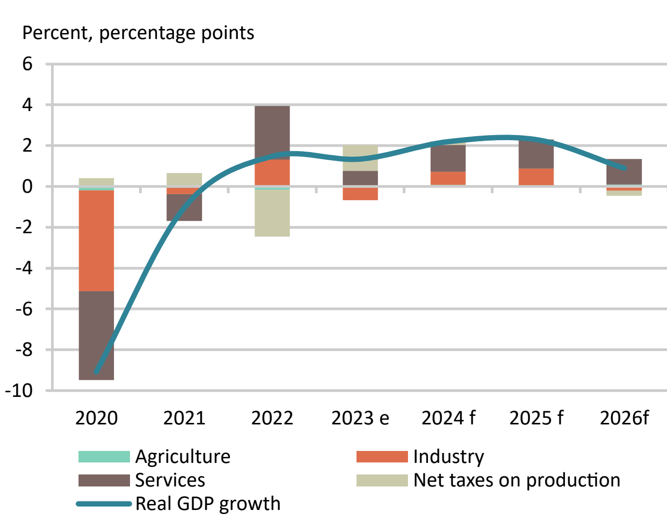
Recent data are not available to assess developments in poverty and inequality. Trinidad and Tobago's Human Development Index (HDI), which tracks its performance against several Sustainable Development Goals, corresponds with its status as a high-income country. The country is grouped in the category of countries with high gender equality in terms of HDI achievements. Yet, some notable gender gaps remain. Despite their comparatively strong performance in school, women's labor force participation (47.6 percent) lags that of men by about 15 percentage points. In addition, the adolescent fertility rate is high compared to other high-income countries.

The government is committed to attracting investment, promoting private sector engagement, and increasing trade integration to foster diversification. Advancing structural reforms to enhance the business environment, improve trade logistics, and tackle insecurity is crucial for fostering private sector growth and economic diversification. Improving governance, infrastructure, and public service delivery are essential for creating a conducive environment for investment and growth.

Recent developments

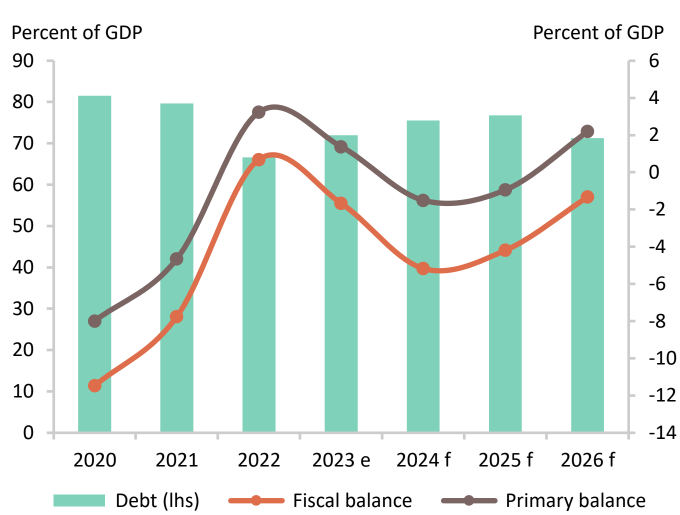
In 2023, the energy sector experienced challenges due to lower global energy prices and weaker production. As a result, the economy's post-pandemic recovery continued at a slower pace, with an estimated real GDP growth of 1.3 percent

FIGURE 1 Trinidad and Tobago / Real GDP growth and contributions to real GDP growth



Sources: Government of Trinidad and Tobago and World Bank staff calculations.

FIGURE 2 Trinidad and Tobago / Fiscal balance and public debt



Sources: Government of Trinidad and Tobago and World Bank staff calculations.

driven by the non-energy sector. The labor market remained relatively stable with unemployment at 5.4 percent in 2024Q1, while inflation saw a decline from 5.8 percent in 2022 to 4.7 percent. In 2024, economic growth is projected to gain momentum with an expected real GDP expansion of 2.2 percent. This growth will be supported by the services sector, which employs the largest share of workers (35.4 percent). Inflation has continued to decline.

In 2023, fiscal position improved, with a better-than-budgeted fiscal deficit. Fiscal measures included enhancing revenue mobilization, streamlining transfers to state-owned enterprises, and phasing out subsidies on fuel, electricity, and water. Expenditure on transfers to households increased to a substantial 5.9 percent of GDP, but targeting to those most in need remains a priority. In FY2024, the fiscal deficit is projected to widen to 5.2 percent of GDP from 1.7 percent in FY2023 due to a public sector wage settlement, lower energy revenues, and higher capital spending. The FY2024 budget included reforms to enhance the fiscal regime for the energy sector, promote non-energy economic activity, and support vulnerable groups. These include adjustments to the Supplementary Petroleum Tax and incentives for SMEs and the tourism sector, both of which account for a substantial share of workers.

According to the government's estimates, current account surplus declined to an estimated 12.4 percent of GDP in 2023 from 17.4 percent in 2022, driven by weaker exports and reduced domestic energy production. Nonetheless, lower imports because of lower global food and energy prices helped maintain a significant surplus. The value of remittances declined by 4.7 percent in real terms and represented only 1.2 percent of GDP. The primary income account deficit also narrowed due to reduced profit repatriation by non-resident energy companies. In 2024, the surplus is projected to narrow further to 5.7 percent of GDP due to continued declines in energy exports. However, international reserves are expected to remain adequate, supported by the Heritage and Stabilization Fund, which holds assets of about one-fifth of GDP.

Outlook

Trinidad and Tobago's medium-term economic outlook is cautiously optimistic, though it faces several risks. The economy is expected to keep recovering, supported by stable energy prices and gradual improvements in domestic production helped by investment incentives that will see increased total amounts as capacity expands. However, the GDP growth rate may be moderated by both external and internal challenges.

Externally, the country is vulnerable to changes in global energy prices, which significantly affect export revenues and overall economic stability. A prolonged decline in energy prices could hurt the current account balance and fiscal health. Additionally, global uncertainties like geopolitical tensions and shifts in trade policies could further strain the economy by affecting energy exports and disrupting trade flows.

Internally, key risks include potential delays in structural reforms and investments in the energy sector. Effective management of public finances, especially controlling wage expenses and capital spending, and continued efforts to reduce crime will be crucial. The country also faces environmental risks, such as natural disasters and climate change impacts, which could disrupt economic activities and infrastructure.

To sustain growth and mitigate risks, the government's focus on fiscal discipline, structural reforms, and climate resilience will be essential.

TABLE 2 Trinidad and Tobago / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.0	1.5	1.3	2.2	2.3	0.9
Real GDP growth, at constant factor prices	-1.8	4.0	0.1	2.1	2.4	1.2
Agriculture	-3.5	-11.5	0.2	6.0	2.6	7.8
Industry	-0.8	3.2	-1.6	1.6	2.1	-0.5
Services	-2.5	5.0	1.4	2.4	2.6	2.3
Inflation (consumer price index)	2.0	5.8	4.7	1.2	1.8	1.9
Current account balance (% of GDP)	10.8	17.4	12.4	5.7	6.5	6.1
Net foreign direct investment inflow (% of GDP)	-7.0	-6.9	-7.6	-2.8	-2.9	-2.7
Fiscal balance (% of GDP)[a]	-7.8	0.7	-1.7	-5.2	-4.2	-1.3
Revenues (% of GDP)	23.4	28.2	28.9	27.5	27.5	28.5
Debt (% of GDP)[a]	79.6	66.6	72.0	75.5	76.7	71.3
Primary balance (% of GDP)[a]	-4.7	3.2	1.4	-1.5	-0.9	2.2
GHG emissions growth (mtCO2e)	-10.1	-1.3	-0.8	0.2	0.5	0.0
Energy related GHG emissions (% of total)	53.5	52.7	51.1	49.4	47.8	46.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.