



Trinidad and Tobago 2022 Mid-Year Budget Review



Introduction

In a welcomed contrast to other recent mid-year budget review presentations, the Honourable Minister of Finance, Mr. Colm Imbert, hailed “GOOD NEWS” for Trinidad and Tobago’s economy. Buoyed by rising energy prices and to a lesser extent, increased economic activity from the relaxation of COVID-19 restrictions, fiscal revenues for the last six months were elevated beyond the expectations of the initial targets set in October 2021. The actual budget surplus of TT \$1.98 billion reported at the end of April 2022, against the expected TT \$5.7 billion deficit, is a symbol that the country is experiencing a turn of its economic tide, away from ballooning public debt.

Expenditure-wise, a further TT \$3.081 billion is needed, mainly to clear various arrears accrued by state enterprises and other arms of government, increase payments of VAT refunds to registered taxpayers, reduce public debt and make good on compensation owed to public servants and independent contractors of the state.

The increased cashflow, to be made available to the nation’s utility bodies, by the settlement of arrears, can assist with necessary repairs and minor upgrades of water and electricity infrastructure, which have all contributed to public displeasure. We are of the view however, that high recurrent expenditure in areas such as salaries and wages may be a threat to utility improvement in the short term and should therefore be continually monitored.

Payment of further VAT refunds, owed to registered persons will boost the cashflow available to producers and retailers who continue to deal with inflated transportation, costs of materials and other inputs. Noting reports of several business closures around the country, it is hoped that the supplemental cash payout in the form of VAT refunds can be used to keep thin-margined operators afloat and their employees on payroll as the country navigates its recovery.

The use of the energy windfall for debt servicing, particularly in the context of the unpredictable COVID-19 pandemic and the ongoing war in Ukraine, is a noteworthy effort to unlock the fiscal space needed to confront unfortunate eventualities. The Honourable Minister also boasted that no borrowing was required in the

five months leading up to the mid-year review presentation. While this is commendable and points in the right direction of fiscal prudence, the borrowings from the next generation through the Heritage and Stabilization Fund (HSF) in past fiscal years must not be forgotten. Therefore, the announcement that the government would be able to contribute to the HSF is applauded.

According to the Central Statistical Office (CSO), the inflation rate for March 2022, compared to March 2021, was 4% and several reports forecast global inflation to remain at least until the end of the current year. The initiative announced to utilize some of the excess petroleum revenues to stabilize the price of LPG or cooking gas will therefore provide some relief. It surely can be appreciated that the government has exhausted expenditure capabilities from previous COVID-19 prevention efforts, which narrows the possibility for further intervention on this front.

In closing, it would be difficult to not adopt an optimistic view from the Honourable Minister’s mid-year review presentation. Government revenues are on the upswing and public debt is being suppressed, which are noteworthy results. Notwithstanding the storm of the past two fiscal cycles, Trinidad and Tobago remains afloat. Continuing along this path, barring complacency or any further exogenous shocks, the country should be able to ride the tide of economic healing.

Enclosed is a summary of the some of the matters addressed by the Honourable Minister.



Dushyant Sookram

Managing Partner
KPMG in Trinidad and Tobago

Review Snapshot



Public Debt

Up to April 2022

- Due to positive cash flows from the stimulus of the economy, the increasing price of oil and gas along with other factors, our borrowing has reduced
- The Government of Trinidad and Tobago has not borrowed money locally or externally to finance Government expenditure since December 2021
- Public debt is stabilized and now stands at TT \$129.8 billion, TT \$800 million less than 5 months ago



Overdraft

Up to April 2022

- The Government has an overdraft limit to which it is confined
- Due to improved cash flows, the overdraft level has reduced drastically and is currently at **50%** of its limit, compared to the usual **80%** over the last few months



Debt to GDP Ratio

Up to April 2022

- Nominal GDP in 2022 has improved and is now estimated at **TT\$180 billion**
- Current debt to GDP ratio is **72%** which is **15% less** than initially projected in October 2021
- Government can now invest in the productive sectors of the economy to create jobs, economic activity and social stability



GDP

GDP has recovered from a low of TT \$140 billion in 2020 to **TT \$180 billion** in 2022, a significant **increase of TT\$40 billion** which is higher than experienced in pre-pandemic years. This is due to the Covid-19 fiscal stimulus plans, economic stimulus plans and programmes of the Ministry of Finance and the Government of Trinidad and Tobago



Budget Deficit

Up to April 2022

- A Budget deficit of **TT \$5.7 billion** was expected at the end of April, however instead a **surplus of TT \$1.98 billion** was achieved



Property Tax

Up to April 2022

- Implementation of Property Tax is expected to commence in calendar year 2022 and will include an assessment of residential properties only
- Persons who fail to file their returns with Commissioner of Valuations may face a fine of **TT \$5,000** imposed under the legislation

Review Snapshot (cont'd)

Supplemental Allocations of TT \$3B

- Recurring expenditure estimated **TT \$2.9 billion**.
- Development program expenditure **TT \$104 million**

Further allocations are:

- Ministry of Finance-**TT \$1.6 billion**
 - Payment of VAT Refunds
- Ministry of Public Utilities – **TT \$408 million**
- Ministry of Social Development -**TT \$390 million**
 - To facilitate payment to senior citizens
- Ministry of Health – **TT \$362 million**
 - To facilitate the acquisition of additional Covid 19 vaccine for children, etc.
- Ministry of Energy and Energy Industries – **TT \$300 million**
 - To assist with the short fall in fuel subsidy
- Ministry of Education – **TT \$300 million**
- Ministry of Finance – **TT \$225.9 million**
 - To assist with government's finalization of construction of Phoenix Industrial Estate
 - Government's acquisition of building in San Fernando for Ministry of National Security, Immigration department
- Ministry of National Security – **TT \$206 million**
 - To assist with payment of allowances and arrears to officers
 - Payment of gratuity to officers
 - Repairs and maintenance to motor vehicles

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Member firms are located in Jamaica, Trinidad and Tobago, Barbados, and St. Vincent and the Grenadines (also practising in Antigua and Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis, and Saint Lucia). Our practice has strong professional contacts with the KPMG member firms in the Bahamas, Bermuda, Cayman Islands, all of which have similar cultures and operating environments.

KPMG Caricom operates across the region with a specific understanding of the cultural, economic and political facets of each individual economy. In-depth industry knowledge is available through the global KPMG network which provides access to skilled member firm professionals, across a wide range of industry sectors.

KPMG at a glance

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12 countries

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- Barbados
- Dominica
- Grenada
- Guyana
- Jamaica
- Montserrat
- Saint Lucia
- St. Kitts and Nevis
- St. Vincent and the Grenadines
- Trinidad and Tobago

Our people



39

Partners and
Directors

1,000+
Professionals

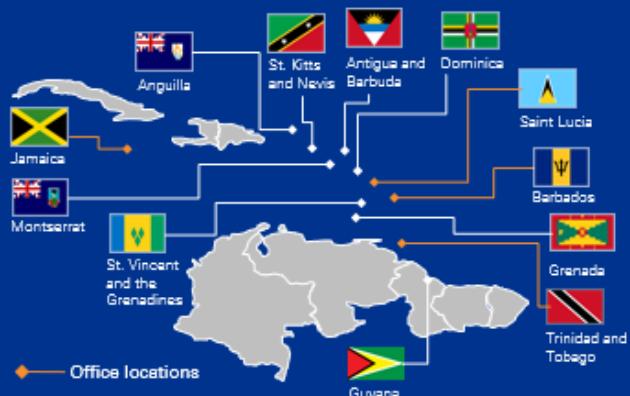
70% | 30%
Gender split (F | M)

Offices in,
5 physical offices

- Barbados
- Jamaica (2)
- Trinidad and Tobago
- Saint Lucia

Celebrating,
100+ years
of service

Our member firms



Contact us

We hope our comments are of assistance to you, but should you need to discuss further please do not hesitate to contact us.

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