



The Chamber means BUSINESS

Delivered by Andrew Sabga – President, TTCIC

**QUARTERLY LUNCHEON – “ECONOMIC OUTLOOK 2013”
WITH GOVERNOR OF THE CENTRAL BANK
TUESDAY 27 NOVEMBER, 2012
AT THE LEON AGOSTINI CONFERENCE HALL, CHAMBER
BUILDING
11:00AM – 1:30PM**

A very warm welcome to all.

Governor Rambarran, you are no stranger to us, having collaborated with the Chamber as a consultant on previous initiatives. However allow me to specially welcome you to the Chamber for the first time as the Governor of the Central Bank of Trinidad and Tobago to address our Membership and the wider business community at this, our final quarterly luncheon for 2012. Governor, it is certainly a pleasure to have you here with us today to share your views on the economic outlook for Trinidad and Tobago for 2013, particularly as businesses prepare to face what is no doubt going to be a very challenging year for all, given the global economic environment in which we operate.

There are a number of areas that are of concern to the private sector. The main question being asked by the business community is: **Will we see positive growth in**

2013? For the last three years, our economy has experienced both negative and stagnant growth. The Central Bank has had to revise the 2012 economic growth downwards from 1.5% to 1%, as economic recovery has been faced with setbacks both from domestic and international sources. Even the International Monetary Fund has published a revised global economic outlook with a downward trend from 3.5% to 3.3%.

Feedback from our Membership has indicated that 2012 remained as challenging as the previous year. Despite the desire of our local companies to seek out new business and investment opportunities, a relative lack of confidence persists. Our CARICOM neighbours, which are an important market for our manufacturers, are also struggling with recovery. For Tobago, the decline in the tourism sector has seriously affected the economy, and the long-awaited debt restructuring plan is yet to be implemented, after several failed promises. Of course crime still remains a major concern not only for the business community but the citizenry at large.

We are all familiar with the fact that as a small open economy we are susceptible to the global economic environment. We are interested in hearing your views, Governor, on the measures that the Bank will be taking to counter the effects of the Euro Zone crisis and maybe even how the fiscal policies of re-elected US President Barack Obama may impact our economy.

The United States has been the largest importer of our LNG since 1999. However with the introduction of shale gas production, the US has lowered its demand for Trinidad and Tobago's LNG from 99% in 2004 to 19% in 2011. Though other markets for our LNG have emerged in Latin America, Europe and Asia we must be cognisant of the changing global landscape for our main revenue earner and the impact that the increase in supply will have on price.

The development of new sources of energy in international markets and the concern with T&T's depleting energy reserves, have caused a renewed interest in recent years, in efforts towards long-term economic diversification. We hope that this year's major gas find by bpTT off Trinidad's south east coast, and Petrotrin's Jubilee oil find off the south-west coast will not allow us to lose sight of the need to treat diversification as a priority on the national agenda.

A stringent fiscal strategy outlining how much to save, consume, and invest must be applied to our energy revenues. The Central Bank is tasked with the management of the Heritage and Stabilisation Fund and Governor, we trust that with your guidance and influence, the Government will adopt a balanced approach towards savings and expenditure. The Chamber continues to advocate that while spending is necessary for economic stimulation, it must be done with a long term view in mind. This means investing in productive capacity with a view to economic diversification and the minimisation of recurrent expenditure on unsustainable programmes.

From 2009 to present we have been operating under a budget deficit. In the 2012-2013 Budget, the Honourable Minister of Finance and the Economy indicated that we will incur a deficit of TT\$7.669 billion, the equivalent of 4.6% of GDP. The Minister proposes to reduce this deficit by the equivalent of a minimum of 1.0% of GDP per annum over the succeeding years.

Governor, in your role as Banker to the Government, the Chamber is certain that you have lent and will continue to offer prudent advice to the administration in managing this deficit. We are positive that you will continue to offer important insights into the conditions required to ensure debt does not lead to economic instability.

The Chamber believes that we must find creative ways of utilising our limited resources to ensure optimum efficiency and hence eliminate the need for deficit financing. The Chamber has been calling for a more thorough approach using best practice methodologies in concluding the budget figures so that we may avoid returning to Parliament for supplementary appropriation of funds during the course of the fiscal year.

The precise data and approach used to compute the energy assumptions announced in annual budgets should also be spelled out more clearly so that the entire population has a correct and sufficient understanding of the fiscal operations of the Government.

On this note, we eagerly await the reform of the Central Statistical Office. Much of the work and publications of the Central Bank depends on the efficiency of the CSO. We are aware that the Ministry of Planning and Sustainable Development is executing a project to upgrade the CSO. The private sector is therefore anxious to have our CSO operating in the 21st Century so that our policy and decision making processes can be based on timely and accurate data.

The Chamber believes that financial literacy plays a crucial role in economic growth and sustainable prosperity. Financial education can lead to a more empowered population enabling individuals to make better informed decisions. We therefore hope that the Central Bank will continue its National Financial Literacy Programme using the appropriate channels to ensure that the message reaches all levels of society.

With that said, I once again thank you, Mr. Rambarran, for attending and addressing the business community today in your capacity as Governor of the Central Bank.

As I close, I encourage the audience to participate in the discussion following the Governor's feature address, network, and enjoy the lunch.