Republic Economic NEWSLETTER

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Screws Tightening on Domestic Economy

OVERVIEW

In the second quarter of 2016, the pressures on the domestic economy continued to mount. Despite signs of minor improvement in construction activity, the non-energy sector remained sluggish, with distribution weighed down by lackluster demand. In the energy sector, the increase of international oil and gas prices during the period was neutralised by the continued fall in domestic production. In fact, in July 2016, oil output fell to a 65-year low. In view of all this, Republic Bank estimates that the economy contracted by 1 percent when compared to the first three months of 2016. Needless to say, these conditions impose severe fiscal limitations on the government which, consequently moved to borrow on both the domestic and international markets to offset the revenue shortfall. To a large extent, activity on the domestic stock market reflected the realities of the economy, with the Composite Index increasing by a minuscule 0.2 percent over the first quarter. Set against this backdrop, Republic Bank estimates that the unemployment rate rose to 4 percent during the period, from 3.8 percent in the first quarter of 2016.

TRINIDAD AND TOBAGO
KEY ECONOMIC INDICATORS

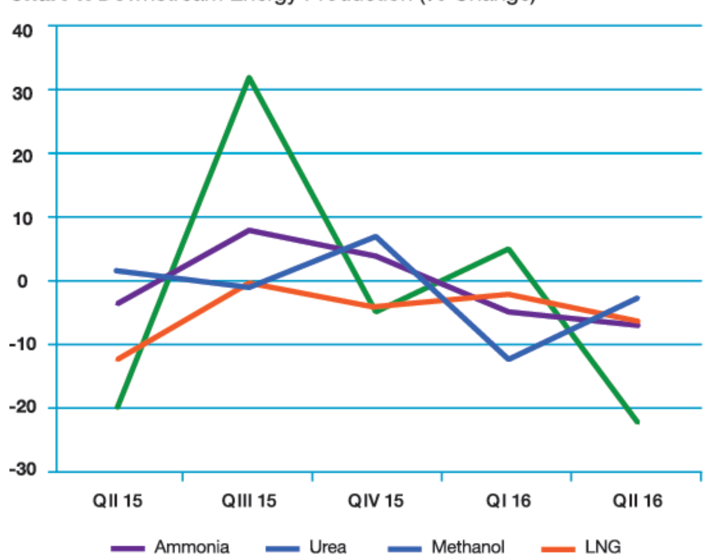
INDICATOR	2015	2015.2	2016.2 p/e
Real GDP (% change)	2.1	-1.4	-1
Retail Prices (% change)	4.7	0.8	1.2
Unemployment Rate (%)	3.4	3.2	4.0
Fiscal Surplus/Deficit ($M)	-8,117.3	-1,077.3	-3,074.6
Bank Deposits (% change)	-2.0	-0.2	1.0
Private Sector Bank Credit (% change)	1.4	2.0	-0.3
Net Foreign Reserves (US$M)	12,485.4	12,941.5	11,939.3
Exchange Rate (TT$/US$)	6.33/6.38	6.32/6.37	6.60/6.65
Stock Market Comp. Price Index	1,162.3	1,161.39	1,135.61
Oil Price (WTI) (US$ per barrel)	48.67	57.85	45.46
Gas Price (Henry Hub) (US$ per mmbtu)	2.63	2.75	2.14

Source:
Central Bank of Trinidad and Tobago, TTSE, Energy Information Administration
p - Provisional data
e - Republic Bank Limited estimate

ENERGY

While the increase in the West Texas Intermediate (WTI) average price of oil to US$45.46 in the second quarter from US$33.35 would have generated some optimism, the continued slide of domestic production certainly did not. Oil production averaged 71,421 barrel per day (bpd) during the period, down 4.4 percent from the first quarter. The trend continued early in the third quarter, as production fell to 66,178 bpd in July. In terms of gas, the Henry Hub price increased marginally to US$2.14 per million British thermal units (mmbtu) from US$2. Nevertheless, domestic production decreased by 6.1 percent, to average 3,370 million standard cubic feet per day (mscf/d) and seems on course to remain below the 2015 average of 3,835 mscf/d, which itself represented a ten-year low. Predictably, output in the downstream sector followed the trend of gas output, as ammonia, urea, methanol and liquid natural gas (LNG) output fell by 7 percent, 22.6 percent, 1.7 percent and 6.2 percent, respectively (Chart 1). The fall in output was accompanied by a cooling of exploration activity, with rig days falling 18.9 percent to 398 and depth drilled decreasing by 18.8 percent during the second quarter of 2016. On the positive side, BHP Billiton announced the start of production of oil and gas from its Angostura Phase 3 Project in September. In total, the project is expected to deliver 2.8 million barrels of incremental oil and roughly 400 billion cubic feet (bcf) of natural gas. Some of the required groundwork was laid for the country to partner with two fledgling energy producers, namely Guyana and Ghana. Guyana has accepted Trinidad and Tobago's offer of technical assistance, while in May, agreements were signed with Ghana for general cooperation, and also for collaboration on oil and gas. This represents a good opportunity for the country to draw on its many years of experience in the industry and could result in significant investment opportunities for energy sector firms based in Trinidad and Tobago.

Chart 1: Downstream Energy Production (% Change)



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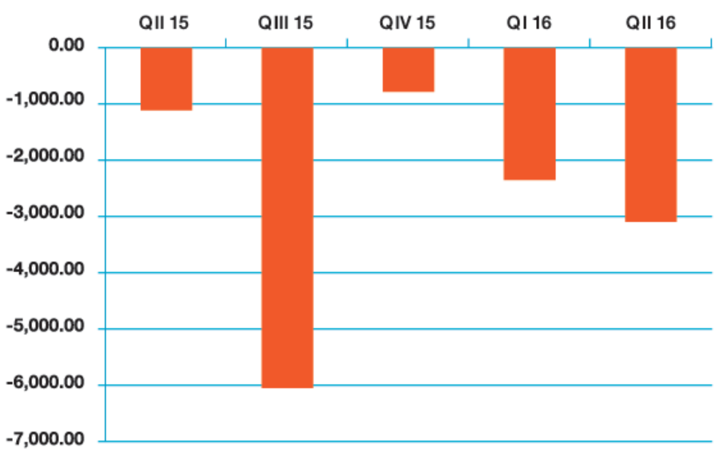
NON-ENERGY

Construction sector activity seemed to have peaked between April and June 2016, when compared to the first quarter. During the period cement sales (which are a good gauge for activity in the sector) expanded by 7.6 percent on a quarter-on quarter basis. Nevertheless, the sale of cement was still 23.5 percent below the level recorded during the same period in 2015, in the lead-up to general elections. On the other hand, there were no signs of improvement in the distribution sector, at least not judging by motor vehicle sales, which are used as a measure of the health of the sector. The sale of new motor vehicles contracted by 7.7 percent in the second quarter of 2016, compared to the previous quarter and by 9.6 percent from the second quarter of 2015. Turning to the financial sector, in early September, the Tax Information Exchange Agreement Bill 2016 was debated in Parliament, but was not passed and thus did not meet the September 30, 2016 reporting deadline. This bill is essential to ensure that the country is compliant with the Foreign Account Tax Compliance Act (FATCA) of the U.S. In delivering the 2016/2017 budget the Minister of Finance indicated that the country will not be subject to any immediate sanctions as a result of its failure to meet the deadline. This information was received from the U.S. Treasury, which indicated that it considers Trinidad and Tobago to have a tax information exchange agreement in effect. Nevertheless, the U.S. Treasury did highlight the need for this country to achieve full compliance by the next reporting deadline in February 2017. The U.S. authorities also indicated that they will continue to monitor the country's progress in this regard.

FISCAL

With energy revenues significantly reduced, government incurred a fiscal deficit of $3.1 billion during the second quarter of 2016 (Figure 2). For the entire 2015/2016 fiscal year, the deficit registered at $7.3 billion or 5 percent of GDP. Given its fiscal constraints, the government embarked on and successfully completed an initiative to raise debt financing. Between May and July 2016, the government raised in excess of $10 billion dollars on the domestic and international markets. This includes a 12-year fixed rate $1.162 billion bond, a 14-year fixed-rate $2 billion bond, a 10-year fixed-rate US$1 billion bond and a US$300 million loan from the Development Bank of Latin America. Total public sector debt (excluding sterilised debt) reached 60.8 percent of GDP during the fiscal year. The government also withdrew US$375 from the Heritage and Stabilization Fund.

Figure 2: Fiscal Balance ($Mn)



MONETARY

Given an uncertain outlook for the global economy, an underperforming domestic economy and with inflation under control, the Central Bank's Monetary Policy Committee maintained the "Repo" rate at 4.75 percent at its July 2016 meeting. Liquidity in the financial system rose in the second quarter, as investors boosted their own liquidity positions in anticipation of Government domestic borrowing. Commercial banks' excess reserves peaked at a daily average of $6.5 billion in May. However, by July the figure fell to $3.9 billion. The commercial banks' average prime lending rate, which reached 9.08 percent in March 2016, remained unchanged in June. Similarly, the mortgage market reference rate (MMRR) remained stable at 3 percent. In this environment, private sector credit fell marginally by 0.3 percent on a quarter-on-quarter (q-o-q) basis in the second quarter, but expanded by 2.6 percent over the same period in 2015. Consumer credit expanded by 7.6 percent over the comparable period in 2015, while real estate mortgages expanded by 6.6 percent on a year-on-year (y-o-y) basis.

Headline inflation decreased marginally to 3.4 percent (y-o-y) in June from 3.5 percent in March 2016. Measuring 9.4 percent in June, food prices advanced at a slightly slower rate compared to 9.9 percent recorded at the end of the first quarter. On the other hand, core inflation remained stable at 2.2 percent.

RESERVES

Although government's borrowing on the international market boosted the country's reserves of foreign currency, the market remains very tight. In the second quarter, the net sales of foreign currency more than doubled when compared to the previous quarter from US$168 million to US$352 million, but was 30 percent below the figure recorded during the same period in 2015. The selling rate for US currency appreciated to an average of TT$6.65 per US$1 from TT$6.52 in the first quarter. The country's reserves of foreign currency represented by the net foreign position, remained stable during the period, measuring US$11.9 billion in June, as it did in March.

OUTLOOK

There is likely to be some pick-up in non-energy sector activity in the fourth quarter, with local government elections due in November and the Christmas season approaching. How much of a stimulus these two events provide remains to be seen. In the 2016/2017 national budget government did identify several projects which are scheduled to start in the new fiscal year, including the Point Fortin Highway, the Moruga Port and International Airport Terminal at Crown Point Tobago. These are expected to provide much needed momentum in the construction sector in the new fiscal year. It is not inconceivable that one or more major projects may begin in the fourth quarter of 2016. The energy sector is expected to languish for the remainder of 2016, suppressed by both weak production and continued low prices. The government did highlight its intention to review the fiscal package governing the sector, with a view to ensuring that the sector is appropriately incentivised and to encourage investment in the recovery of an estimated 3 billion barrels of "stranded oil". Although this is unlikely to take place before 2017, it is indeed a welcomed initiative. The economy could record marginal growth in the final quarter of 2016, although another contraction would by no means be a surprise.

The Economist
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Ignoring the Writing

Saudi Arabia is raising its gas prices, Britain is leaving the European Union and water availability has become an issue in the Caribbean. Huh? And these unbelievable developments still don't come close to the bizarre drama just concluded. Persistently slowing economies, waves of migrants and terror attacks of all form and fashion have seen the rise of xenophobia across much of the developed world, with once marginalized 'nationalist' groups gaining political ascendancy and growing acceptance. Physical borders are being fortified, trade barriers are being strengthened and the architecture of a global financial services dragnet is in its final stages of completion. Regional states find themselves battling to hold on to long-established correspondent banking relationships while also racing to be compliant with international treaties aimed at combating terrorism financing, money laundering and tax evasion. Even Mother Nature, it seems, is getting into the act. Hurricanes, the weather phenomena long-considered the bane of Caribbean countries, in recent years have been challenged by drought for the infamous top spot. All of a sudden, the world is a less tolerant, less open, less accommodating place. But is it really all of a sudden? The conditions that spawned these 'changes' didn't happen overnight and for the most part didn't exist in secret. The writing was on the wall; perhaps we didn't see it.

BARBADOS

Barbados' economy grew by 1.3 percent in the first half of 2016, an improvement on the flat performance for the same 2015 period. Most of the impetus came from the tourism sector, which saw a 5.3 percent increase in long-stay visitors to 421,914 from January to August. There were signs of life in a few other areas, with construction activity growing by an estimated 2 percent and rum exports increasing by over 10 percent. The unemployment rate fell to 9.3 percent in March after averaging 11.3 percent for 2015. Low commodity prices continued to put downward pressure on inflation, with a 1.3 percent decline in prices in March. Notwithstanding the encouraging improvement in some indicators, Barbados remains challenged by large fiscal deficits and increasing public debt; points also raised by the IMF in its August Article IV report on the island. The 2015/2016 fiscal year registered a deficit of 7.4 percent of GDP ($661.1 million). As at June 30th the current fiscal position was a deficit of $204 million, while public debt-to-GDP inched up to 108 percent. International reserves fell by $43 million in the first half of 2016 to $884 million, equivalent to 13.6 weeks of import cover. On September 23rd Standard and Poor's (S&P) lowered its long-term foreign and local currency sovereign ratings on Barbados to 'B-' from 'B', and issued a "negative" outlook for the island, while expressing worry about the Central Bank's financing of the Government's deficit. Following growth of 0.9 percent in 2015, Barbados' economy is expected to expand by 1.5 percent in 2016 as some major projects belatedly get off the ground.

CUBA

Cuba's tourist arrival numbers continue to sky rocket with some 2,147,600 visitors for the first six months of 2016, an 11.7 percent increase over the same 2015 period. The trend is set to continue as arrivals grew by 13 percent year-on-year in July, and in August Jet Blue completed its inaugural flight to Cuba, becoming the first US airline to operate flights to the island in over 50 years. Despite this however, Cuba's economic struggles in 2016 continued. Growth of just 1 percent was registered for the first half of the year, as lower commodity prices impacted exports of nickel, sugar and refined oil products. The country is also being negatively affected by Venezuela's ongoing crisis which has seen a reduction in its level of energy assistance. It's exports of oil and refined products to Cuba fell by 20 percent for the first half of this year, resulting in not just monetary losses, but cuts to electricity production and distribution and a drive to reduce fuel consumption by 28 percent in the second half of 2016.

Nonetheless, Cuba continues to build relationships and secure agreements with a number of countries. In early September, Cuban and US officials, held talks on trade and investment, economic policy and banking matters among other areas. On the heels of a visit by Japanese Prime Minister Shinzo Abe, on September 26th Chinese Premier Li Keqiang concluded a visit to Cuba with the signing of 20 cooperative agreements. Cuba also secured $4 billion in financing from Russia for a number of its development schemes in an agreement that covers 55 projects over a 4-year period.

GRENADA

Grenada's tourist arrivals remained strong with an estimated 10.3 percent increase in arrivals in the first half of 2016, as visitors from the United States, the country's largest source market grew by 44 percent. The unemployment rate inched down but remained stubbornly high at 29 percent. Government continued to demonstrate discipline and restraint and achieved a 3 percent fiscal surplus in the first half of 2016. As restructuring efforts continue, Grenada's debt-to-GDP ratio declined to 85 percent in June. In September a visiting IMF team held discussions on the fifth review of Grenada's IMF-supported program under the Extended Credit Facility (ECF). Citing its strong performance under the programme thus far, the IMF noted that the country's improved fiscal position will be tested by the 2017 budget process, key wage negotiations, and the imminent end of the Fund-supported programme. Following an expansion of 4.6 percent in 2015, the IMF expects Grenada's economic growth to moderate to a more sustainable rate of 3 percent in 2016 and 2.7 percent in 2017.

GUYANA

Guyana's economy grew by 2 percent in the first half of 2016; an improvement on the 0.9 percent recorded for the corresponding 2015 period. According to the Bank of Guyana, The improvement was largely the result of a 65.7 percent expansion in the mining and quarrying sector, which was driven by strong output of gold, diamonds and bauxite. Gold exports more than doubled with declared exports of US$390.7 million for the first six months of the year, compared to US$188.3 million for the corresponding period last year. Despite exporting more bauxite and diamonds, income from these sectors fell due to lower world market prices; with foreign exchange from bauxite dropping from US $53.3 million to US $46.3 million. Construction has performed poorly thus far, due to weak domestic demand, low commodity prices and unfavourable weather conditions. The weather played a major part in the 10 percent contraction of the agriculture sector as well, contributing to lower output of rice, sugar and forestry products. In further negative developments, Guyana was impacted by the 'de-risking' thrust currently employed by some US banks, with Bank of America announcing plans to sever ties with some local banks by August. However, Guyana's Central Bank Governor Dr Gobind Ganga down-played the decision, indicating that other banks from North America and Europe have already expressed an interest in filling the void. Economic growth in 2016 is expected to surpass the 3 percent of 2015, as major new gold mining projects come on stream, agriculture output improves and oil-related investment picks up.

SURINAME

Following the start of its 24-month, US$478 million Stand-By Arrangement (SBA) with the IMF, Suriname secured a US$50 million policy-based loan from the Caribbean Development Bank and a US$70 million loan from the Inter-American Development Bank to improve its electricity sector. Also in May the country secured a US$1.8 billion loan from the Islamic Development Bank (IsDB).

Suriname's performance under the IMF programme was described as 'mixed' by a visiting IMF mission in August following its first review of the SBA. While IMF officials were encouraged by the reforms and spending restraints implemented, they were disappointed with the government's decision hold off on increasing fuel pump prices and partially reverse the increase in electricity prices. Following growth of 0.1 percent in 2015, Suriname's economy is expected to contract by 2 percent this year as result of the significant weakening of its key drivers. In mid-October the exchange rate was Sr$7.1:US$1. Average inflation is expected to peak at 24 percent in 2016, with the debt-to-GDP ratio likely to reach 46 percent in 2016 before declining thereafter. While the IMF has forecast 2.5 percent growth for Suriname in 2017, the country's relationship with the IMF seems set to be strained. Despite statements to the contrary, the recent US$1.8 billion IsDB loan and some of Suriname's President Bouterse's own utterances, raise questions about the extent of his interest in or commitment to, staying the course with the IMF programme.

REGION

Jamaica continued to perform well under its IMF programme, meeting or exceeding many of its targets. Inflation remained low for the year thus far, registering 2.2 percent (year on year) in August. The debt-to-GDP ratio declined to 120.2 percent by the end of March, however, it was negatively impacted by the steady depreciation of the Jamaican dollar relative to the US dollar. Having begun the year at J$120.24 to US$1, the Jamaican dollar slid to over J$128 to US$1 by the end of September.

The members of the Organisation of Eastern Caribbean States (OECS) generally continue to enjoy moderate growth driven primarily by tourism, as construction activity remains lacklustre due to depressed domestic and foreign infrastructure investment and agriculture rebounds from the effects of unfavourable weather. An analysis of quarterly tourism statistics for the OECS) yields some interesting findings (Table 1).

Table 1:
OECS VISITOR ARRIVALS AND SPENDING: COMPARISON OF SIMILAR QUARTERS (% CHANGE)

	Q.E. Dec.'14 and Q.E. Dec.'15	Q.E. Mar.'15 and Q.E. Mar.'16	Q.E. Jun.'15 and Q.E. Jun.'16
Stay-over visitors	1.2	5.6	-24.5
All visitors	11	4.1	-18.8
Total spending	-0.9	1.1	-4.2

Source: Eastern Caribbean Central Bank (ECCB)

KEY FINDINGS AND CONCLUSIONS

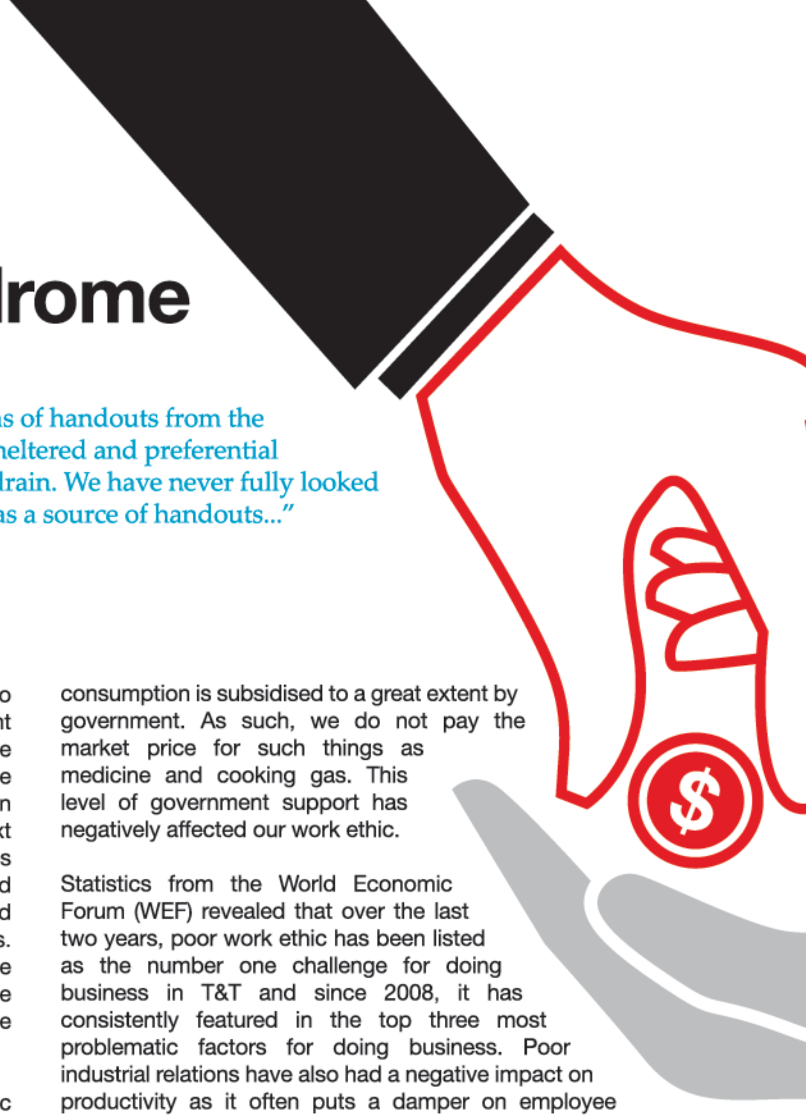
- **The quarter ending March (Q.E. Mar) is the dominant quarter for all visitor arrivals.**
- **The quarters ending December 2015 and March 2016 both registered increases in stay-over visitors as well as all visitors when compared to the same period a year earlier.**
- **The quarter ending June 2016 saw significant declines in both stay-over and all visitors compared to the quarter ending June 2015. In both instances the declines were broad-based with contractions in six of the eight countries.**
- **The relatively small decline in spending in light of the major drop in visitor numbers in June 2016 suggests that individual tourists spent more than in previous quarters.**

While not exhaustive by any means, the above analysis serves as a portent of what lies ahead. Has the tourism surge peaked? Considering that the 'Brexit' effect wouldn't have been a factor until the end of June, and Cuba is yet to achieve its tourism potential, how much more significant will the declines be in the coming months? Are the trends in OECS tourism likely to be different for the rest of the region?

OUTLOOK

Over the next six months the outlook for the energy-based economies is pretty clear; the pain will continue. Countries with mineral industries may get somewhat of a lift through fairly steady gold prices along with increased output of both gold and alumina. It remains to be seen if agriculture will make a meaningful contribution across the region as more and more it seems to be 'recovering from unfavourable weather conditions'. Some of the tourism-based countries may see some pick-up in construction as major projects get off the ground; however, tourism is likely to remain the primary economic engine. While the tourism industry should continue to do relatively well in the coming months, as 2017 unfolds, some frustration may set in when it becomes apparent that the engine isn't taking the country as far and as fast as hoped for. This frustration may turn to worry if or when the tourism engine slows down, as outside help or even sympathy will be slower in coming. After years of ignoring the writing on the wall, regional states remain unprepared to cope with the challenges of this tough new world.

Exorcising the Dependency Syndrome



"We have preferred to view our material progress in terms of handouts from the metropolis - handouts of aid, of capital investment, of sheltered and preferential markets, of opportunities for emigration and the brain drain. We have never fully looked inwards. And when we do, we look to the government as a source of handouts..."

Eric Williams
The Chaguaramas Declaration

On the heels of the 2017 Budget, citizens of Trinidad and Tobago (T&T) are slowly but surely beginning to realise that government can no longer sustain the high expenditure levels to which we have grown accustomed. Over the last fiscal year, the government made cuts in the fuel subsidy and reintroduced Value Added Tax (VAT) on most food items. This trend is expected to continue in the next fiscal, with reduced Government Assistance for Tuition Expenses (GATE) funding, introduction of property tax, increased excise/customs duty on alcohol and tobacco products, increased tax rate on the wealthy and a new tax on online purchases. Stringent measures have become a necessity in light of the country's weakened revenue position. Furthermore, the government has now been forced to confront what some have labelled as the country's dependency syndrome.

Although government's move to reduce the burden on the public purse will cause some hardships, it is necessary given the nation's current economic challenges. However, there are many other issues which have spawned from our dependency syndrome. But in the interest of space, this article will only focus on three vital issues which are interrelated.

PRODUCTIVITY

Productivity has been substantially undermined by our heavy reliance on government's social programmes. While we are obligated to look after the vulnerable in our society, we have not done so in an efficient manner. The evidence of this lies in poorly targeted initiatives with unintended beneficiaries and the failure to graduate individuals from programmes such as the Community-Based Environmental Protection and Enhancement Programme (CEPEP) and the Unemployment Relief Programme (URP). The inadvertent effect of this is a disincentive for many beneficiaries to join the private sector labour force. Additionally, consumption is subsidised to a great extent by government. As such, we do not pay the market price for such things as medicine and cooking gas. This level of government support has negatively affected our work ethic.

Statistics from the World Economic Forum (WEF) revealed that over the last two years, poor work ethic has been listed as the number one challenge for doing business in T&T and since 2008, it has consistently featured in the top three most problematic factors for doing business. Poor industrial relations have also had a negative impact on productivity as it often puts a damper on employee morale. The WEF indicated that Cooperation in labour-employer relations has been trending downward (Refer to Chart I). However, our work ethic is not all bad, as there have been some positive developments. With regard to Pay and Productivity, it has averaged 3.3 out of 7 over the last decade but since 2009, has been trending upward.

Our culture must also be taken into consideration, as Trinbagonians have been often stereotyped as people who enjoy parties and 'liming'. The nation officially has 14 public holidays and *de facto* a total of 16 holidays with the inclusion of two days off for Carnival celebrations. This in some way is believed to undermine the nation's productivity. In some instances, work is seen as a place for socialising and not necessarily a means to be productive or contribute to society. These attitudes have invariably affected our productivity, which definitely needs to improve.

Chart I:
Pay and Productivity and Cooperation in labour-employer relations

Source:
World Economic Forum Global Competitiveness Reports

Notes:
***Pay and Productivity** rates the extent to which pay is related to employee productivity with 1 = not at all and 7 = to a great extent

***Cooperation in labour-employer relations** is scored from 1 to 7 with 1 = generally confrontational and 7 = generally cooperative

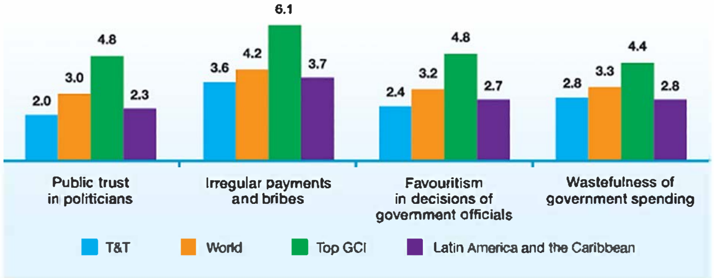


Chart II: Global Competitiveness Index (GCI) Indicators 1st Pillar: Institutions Averages for the period 2006-2015

Notes:

*Figures were calculated using data from The Global Competitiveness Index Historical Dataset 2005-2015 WEF.

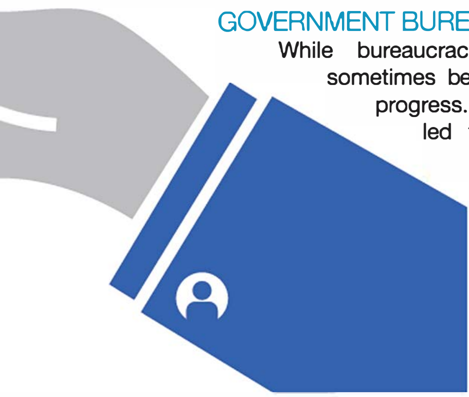
***Public trust in politicians** rates the ethical standards of politicians with 1 = extremely low and 7 = extremely high.

***Irregular payments and bribes** rates how common it is for firms to make undocumented extra payments or bribes connected with (a) imports and exports; (b) public utilities; (c) annual tax payments; (d) awarding of public contracts and licenses; (e) obtaining favourable judicial decisions with 1 = very common and 7 = never occurs. Information was only available for the period 2010-2015.

***Favouritism in decisions of government officials** rates the extent to which government officials show favouritism to well-connected firms and individuals when deciding upon policies and contracts with 1 = show favouritism to a great extent and 7 = do not show favouritism at all.

***Wastefulness of government spending** rates how efficiently the government spends public revenue with 1 = extremely inefficient and 7 = extremely efficient in providing goods and services.

***Top GCI** refers to the top 10 countries in the latest Global Competitiveness Report



GOVERNMENT BUREAUCRACY

While bureaucracy aids transparency, it can sometimes be a hindrance to socioeconomic progress. In the past, this has sometimes led to delays in the execution of government plans and investments. Over the years there have been inefficiencies with regard to the award of government contracts which resulted in project delays, cost overruns and incomplete projects. These problems can also affect our daily operations. In the latest *Doing Business 2016* report, the country was ranked 72nd out of 189 countries in starting a business, which was the third best in the Caribbean.

Our work ethic unnecessarily slows down certain processes. In many cases individuals and institutions pay more attention to procedures, as opposed to expediting processes without risking quality. An unfortunate consequence of this is that people become distrustful of the system and weary of delays. This explains why some citizens try to circumvent the rules and regulations with bribes and the use of personal contact. This further erodes the efficiency of our systems, hence paving the way for favouritism and corruption.

CORRUPTION

Some indicators from the WEF suggest that citizens lack trust in politicians and that they believe favouritism affects their decision making. There is also a strong belief that bribes are becoming more prevalent in our society. With regard to Public trust in politicians, Irregular payments and bribes, Favouritism in decisions of government officials and Wastefulness of government spending, T&T scored very poorly compared to the rest of the world and the Latin American and Caribbean region (Refer to Chart II). Corruption has always been a major issue and it can have detrimental effects for Petro-states such as T&T. In the past, corruption has resulted in resource misallocation and unproductive public investment. These problems have created negative spill-over effects in our society and inevitably led to a slowdown in development.

HOW DO WE PROCEED?

As a petro-state, there has been a heavy dependence on the government. Over the years, wealth from our natural resources has sometimes been invested into projects and programmes that yielded little return. The high volatility of energy prices combined with pro-cyclical government spending has created wide economic swings over time, with periods of rapid growth on one end and periods of deep contraction on the other. In this regard, the way in which we consume our resources has impeded our development. Based on this knowledge, the current environment presents an ideal opportunity to wean ourselves off the government.

Firstly, energy revenues should be managed more prudently. New criteria should be drawn up to facilitate larger contributions towards the future Heritage and Stabilisation funds, with strict rules concerning drawdown of these funds. This should be done to ensure that these funds are used only for meaningful projects that guarantee long-term benefit for the entire nation. Our leaders should also devise and implement a proper Transfer Pricing regime to ensure that the country gets maximum profit from its precious oil and gas reserves. According to the T&T *Budget Statement 2017*, it is estimated that since 2011, the country has lost US$1.4 billion per annum via unbalanced off-taking contracts. Regrettably, these lost funds could have been saved in the Heritage and Stabilisation Fund (HSF). Currently, the government is seeking assistance from the Inter-American Centre of Tax Administrations to formulate effective transfer pricing legislation. This is expected to take some time before it comes into effect.

Secondly, there must be a serious commitment towards a robust diversification plan. Despite the numerous warnings from financial experts and technocrats over the years, the country is still too heavily reliant on the hydrocarbon sector. While it is true that the energy sector would most likely be the mainstay of our economy for at least the next ten years, serious action has to be taken to incentivise the non-energy sub-sectors. These incentives should be provided incrementally over a period of time and synchronised with a gradual stowing of more energy sector revenues. The government can also provide appropriate incentives for energy sector workers to retrain and eventually transition to a renewable and clean energy sector or the non-energy sector.

Thirdly, we have to abort the culture of entitlement and our preconceived notions that all our problems must be fixed by our leaders. Instead of enabling the "the country owes us" attitude, we should reward innovation, creativity and productivity, while promoting a culture of transparency and accountability. Reducing the government's burden of creating employment and paying public sector wages is an ideal place to start. Allowing the private sector to be the linchpin for job creation would help stimulate competitiveness and concomitantly lead to higher productivity. In the recent budget, the government did hint at a future curtailment of funding for the CEPEP and the URP. Hopefully, in the near future, these programmes would be more tailored towards skills training and aiding unemployed citizens to smoothly transition into the labour force.

There are other measures that could prove beneficial but at the end of the day the onus will be on each citizen. Do people crave autonomy or do they prefer to be spoon fed? According to a renowned economist, Kari Levitt, *"Development cannot be imposed from without. It is a creative social process and its central nervous system, the matrix which nourishes it, is located in the cultural sphere."* Therefore, it is the people of this nation who must decide whether to embrace a culture of self-sufficiency and exorcise this dependency syndrome or to remain dependent on the government.