



## TRINIDAD & TOBAGO

For the Quarter: July to September 2024

### Economic Review

According to the Central Statistical Office (CSO), the domestic economy grew by 0.9% year-on-year (y-o-y) in the first quarter of 2024 compared to 1.1% in the fourth quarter of 2023. The marginal deceleration was driven by reduced output from the energy, construction and manufacturing sectors which contracted by 2.2%, 2.9% and 2.1% respectively, while growth in the agricultural sector slowed to 2.8% following a 6.5% expansion in the fourth quarter of 2023. Meanwhile, inflationary pressures ticked up in August as headline inflation accelerated to 0.4% from 0.3% in July.

In terms of foreign reserves, net official reserves declined by 3.6% to US\$5.5 billion or 7.8 months of import cover by the end of August 2024, from US\$5.7 billion or 8.1 months of import cover in the prior month. The country's external position is further cushioned by the Heritage and Stabilization Fund (HSF) with a reported balance of US\$5.8 billion as at June 2024, 2.3% lower than the US\$5.9 billion balance as of March 2024 following a US\$209.6 million withdrawal by the government to provide additional financial support for the 2023/24 fiscal year. On the monetary front, the Monetary Policy Committee (MPC) of the Central Bank decided to maintain

### Capital Market Review

In the third quarter of 2024, all major local stock indices fell with the TT Composite, the All T&T and the Cross-Listed indices registering declines of 6.7%, 7.3% and 4.5% respectively. In terms of individual stocks, recently listed Eric Solis Marketing Ltd was the top performer after its stock price rose by 3.8% in the quarter. Conversely, TTNGL was the major laggard over the same period with a -33.7% price return. On the fixed income side, there was a notable deceleration in the upward trajectory of the domestic yield curve in August. On a year-to-date basis, there have been more pronounced increases at the 0.25-year to 2-year tenors, moderate increases at the 3-year to 10-year tenors, and modest increases at the 11-year to 25-year tenors.

### Outlook

While the Central Bank of Trinidad and Tobago (CBTT) expects the non-energy sector to grow due to increasing business activity and consumer demand, the hydrocarbon sector continues to face challenges. Global energy prices remain volatile, influenced by geopolitical tensions and market dynamics, which can impact revenue from oil and gas. In the non-energy sector, particularly manufacturing, opportunities for expansion into new markets could drive growth. However, the energy sector faces short to medium-term hurdles, including maintenance-related downtimes and natural gas supply shortages. Political uncertainties, especially regarding the Dragon Gas deal and potential U.S. sanctions also add to the economic risks.



## THE UNITED STATES OF AMERICA

For the Quarter: July to September 2024

### Economic Review

The U.S. Bureau of Economic Analysis confirmed, via its third estimate, that the U.S. economy grew by 3.0% y-o-y in the second quarter of 2024. Headline PCE inflation slowed to 2.2% in August from 2.5% in July, while the core rate increased marginally to 2.7% from 2.6%. In terms of monetary policy, the Federal Reserve enacted a larger than expected 50-bps rate cut at its September meeting, reducing the Fed Funds rate to the target range of 4.75%-5.00% from 5.25%-5.50%.

On the labour market front, the unemployment rate fell to 4.1% in September from 4.2% in August while non-Farm payroll gains for September totalled 254,000 surpassing both analysts forecast of 150,000 and August's 142,000 gain. Notably, both the June and July figures were revised upwards by a combined 72,000.

### Capital Market Review

In the third quarter of 2024, U.S. equity markets recorded strong gains with the S&P 500 rising by 5.5% pushing the year-to-date return as at the end of September to 20.8%. U.S. stock markets reacted strongly and positively to the much-anticipated Fed rate cut as well as reduced recessionary fears.

Among U.S. sectors, Utilities, Real Estate, and Industrials were the best performing sectors in the third quarter, with returns of 18.5%, 16.3%, and 11.2%, respectively. Conversely, Energy, Communication Services and Information Technology were the worst performers, with returns of -3.1%, 1.4%, and 1.4%, respectively. The 10-year U.S. Treasury yield closed the third quarter at 3.78%, 10 basis points lower when compared to the level at the end of 2023.

### Outlook

According to S&P, the U.S. economy is expected to grow by 2.7% in 2024 before moderating to 1.8% in 2025. Although the path will be bumpy, inflation is expected to slow further in the coming months, but annual inflation should hover within striking distance of 2% in 2025, notwithstanding unforeseen supply shocks. In terms of monetary policy, S&P anticipates that the Fed will cut interest rates by a further 50 bps in 2024 followed by another 125 bps of easing in 2025. On the political front, polls indicate a tight race in the Presidential election to be held in November with the outcome potentially having a significant impact on financial markets.