TRINIDAD & TOBAGO

For the Quarter: January to March 2025

Economic Review

According to the most recent data from the Central Statistical Office (CSO), the domestic economy contracted by 2.1% year-on-year in the second quarter of 2024, a decline from the 0.6% growth observed in the first quarter. This contraction was primarily due to a slowdown in the manufacturing sector, which dropped from 7.0% growth in the first quarter to just 1.4% in the second quarter. Additionally, the energy sector experienced declines in both crude oil and natural gas exploration and extraction, further contributing to the overall contraction of the domestic economy.

With respect to the labour market, the unemployment rate continued its downward trend, falling to 4.1% by the end of the third quarter of 2024, compared to 4.8% in the previous quarter. Headline inflation remained low, measuring 0.7% in February, unchanged from the previous month. Meanwhile, as far as international buffers go, net official reserves stood at US$5.3 billion or 7.5 months of import cover by the end of February, down from US$5.5 billion or 7.8 months of import cover in the prior month.

Capital Market Review

In the first quarter of 2025, both the TT Composite and All T&T indices declined by 2.2% and 3.2% respectively while the Cross-Listed index rose by 1.1%. Sector wise, the Property, Non-Banking Finance and Trading sectors were the only sectors with a positive outturn for the quarter. In terms of individual stocks, L.J. Williams Limited was the top performer after registering a 20.0% price return. Conversely, Guardian Media Limited was the major laggard over the same period with a -20.0% price return. On the fixed income side, there was a 13-basis points drop in the 3-Month yield with some steepening of yields between the 3 to 16-year tenors in March. In contrast, there were negligible movements in yields between the 17 to 30-year tenors.

Outlook

The revocation of Trinidad and Tobago's licenses issued by the U.S. Office of Foreign Assets Control (OFAC) in early April has dimmed the future growth prospects of the local energy sector, and by extension, the wider economy which is still heavily reliant on the hydrocarbon sector. These licences previously granted T&T permission to operate in the Manakin Gas field (located in Trinidad & Tobago), as well as the Cocuina and Dragon Gas fields (both located in Venezuela). In the near to medium term, the escalation of trade tensions between the United States and key trading partners, along with the imposition of tariffs by the U.S. Administration on over 180 countries with which it has a trade deficit, could slow global growth and reignite inflationary pressures. This, in turn, could lead to higher prices domestically, as Trinidad and Tobago imports a significant share of its goods and services. Additionally, lingering geopolitical tensions and adverse weather events may further contribute to upward pressure on domestic prices.

THE UNITED STATES OF AMERICA

For the Quarter: January to March 2025

Economic Review

The U.S. economy grew at a 2.3% annualized rate in the fourth quarter of 2024 according to the Bureau of Economic Analysis, lower than the 3.1% growth in the previous quarter. With respect to inflation, the Consumer Price Index (CPI) fell to 2.4% in March, down from the 2.8% reading in the previous month. Meanwhile, the U.S. economy added a total of 185,000 jobs in March, above consensus expectations of 140,000. However, the unemployment rate experienced a marginal uptick to 4.2%, up from 4.1% recorded in February. In terms of monetary policy, the Federal Reserve (Fed) unanimously voted to hold interest rates steady in the target range of 4.25%–4.5% for a second consecutive meeting in March, following three consecutive rate cuts that began in September 2024.

Capital Market Review

In the first quarter of 2025, U.S. equity markets recorded losses with the S&P 500 falling by 4.6%. This occurred as sentiment deteriorated amid mounting inflationary and recessionary fears, stemming from the new Administration's trade policy and the potential for retaliatory tariffs from key trading partners. Among U.S. sectors over the first quarter, Energy, Healthcare, and Consumer Staples were the top performing sectors with returns of 9.3%, 6.1%, and 4.6% respectively, while Consumer Discretionary performed the worst with a return of -14.0%. The 10-year U.S. Treasury yield closed the first quarter at 4.24%, 34 basis points lower when compared to the level at the end of the fourth quarter of 2024.

Outlook

According to the U.S. Federal Reserve, the U.S. economy is expected to grow by 1.7% in 2025, with inflation projected to stabilize at 2.7%. Meanwhile the labour market may soften slightly, pushing the unemployment rate up to 4.4%. On the monetary front, the U.S. Federal Reserve plans to implement two 25 basis point rate cuts, bringing the fed funds rate to a target range of 3.75%-4.00%. However, economic risks, including a potential resurgence of inflation, widening budget deficits, and the impact of new Trump policies could challenge economic stability and result in increased volatility for financial markets.