TRINIDAD & TOBAGO

For the Quarter: October to December 2024

Economic Review

According to the Central Statistical Office (CSO), the local economy grew by 1.5% in the first quarter of 2024, driven by a 1.8% expansion in the non-energy sector and a 0.9% increase in the energy sector. The non-energy sector saw growth in areas such as manufacturing, financial services, and transport and storage. On the other hand, the energy sector's growth was fuelled by advances in petrochemical manufacturing, condensate extraction, and the distribution of petroleum and natural gas, although this was partly offset by declines in certain oil and gas sectors. With respect to price levels, headline and core inflation held steady at 0.5% and -0.3% respectively in December. Food inflation, however, climbed to 3.5% in December from 3.1% in the previous month.

In terms of international buffers, net official reserves rose by 2.6% to US$5.60 billion or 8.0 months of import cover by the end of December 2024, from US$5.46 billion or 7.8 months of import cover in the prior month. The country’s external position is further supported by the Heritage and Stabilization Fund (HSF), which reported a balance of US$6.08 billion in September 2024, a 5.6% increase from US$5.76 billion in June 2024. On the monetary policy front, the Central Bank’s Monetary Policy Committee (MPC) decided to keep the repo rate at 3.50% at its December meeting.

Capital Market Review

In the fourth quarter of 2024, all major local stock indices rose with the TT Composite, the All T&T, and the Cross-Listed indices registering gains of 1.94%, 0.09%, and 8.36% respectively. In terms of individual stocks, CIBC Caribbean Bank Limited was the top performer after registering a 15.7% price return over the quarter. Conversely, L.J. Williams Limited was the major laggard over the same period with a -59.0% price return. Shifting focus to the performance over calendar 2024, the TT Composite, the All T&T, and the Cross-Listed indices all registered declines of -11.6%, -12.7%, and -7.7% respectively. Endeavour Holdings Limited was the top performer in 2024, registering an increase of 37.4%, whilst L.J. Williams Limited was the major laggard registering a decline of -66.5% over the year.

On the fixed income side, there was a slight increase in the level of the curve over the fourth quarter when compared to the previous quarter. On a year-to-date basis, there have been more pronounced increases at the 0.25-year to 4-year tenors, moderate increases at the 5-year to 10-year tenors, and modest increases at the 11-year to 28-year tenors. In contrast, there was a marginal decrease at the 30-year tenor.

Outlook

According to the Central Bank of Trinidad and Tobago (CBTT), in its latest Monetary Policy Report, limited natural gas availability will continue to impact energy sector output. Despite the planned commencement of multiple projects, upstream activities will still face difficulties due to ongoing shortages of natural gas. However, the prospects for the non-energy sector remain favourable. A combination of robust business activity and rising consumer demand is expected to drive growth in the near to medium term. While inflation is likely to remain stable, several factors, both local and international, could lead to higher prices. These include the ongoing conflict in the Middle East, disruptions caused by previous strikes at U.S. ports, industrial actions at domestic ports, and weather-related events.

Economic and Capital Market Wrap

THE UNITED STATES OF AMERICA

For the Quarter: October to December 2024

Economic Review

The U.S. Bureau of Economic Analysis released a final estimate of 3.1% GDP growth for the third quarter of 2024, slightly higher than the initial estimate of 2.8%. Headline PCE inflation rose to 2.4% in November, up from 2.3% in October, while the core inflation rate remained unchanged at 2.8% over the same period. Regarding monetary policy, the Federal Reserve implemented a 25-basis point rate cut at its December meeting, lowering the Fed Funds target range to 4.25%-4.50%, marking its third and final rate cut for 2024.

On the labor market front, the unemployment rate rose slightly to 4.2% in November, up from 4.1% in October. However, non-farm payrolls saw an increase of 227,000 in November, compared to an upwardly revised 36,000 in October, reflecting a recovery from the downturn caused by labor strikes and the effects of Hurricane Milton.

Capital Market Review

In the fourth quarter of 2024, U.S. equity markets recorded gains with the S&P 500 rising by 2.07% despite concerns surrounding the Fed's revised forecast for fewer rate cuts in 2025. Overall, the S&P's return over calendar 2024 was 23.3%, with the "Magnificent 7" stocks being the primary drivers of this growth.

Among U.S. sectors over the fourth quarter alone, Consumer Discretionary, Communication Services, and Financials were the top performing sectors with returns of 14.1%, 8.6%, and 6.7% respectively, while Materials performed the worst with a return of -12.8%. Over calendar 2024, Communication Services, Information Technology, and Consumer Discretionary were the best performing sectors with returns of 38.89%, 35.69%, and 29.13% respectively. Conversely, Materials was the worst-performing and only sector to post a negative return for the year with a decline of -1.8%. The 10-year U.S. Treasury yield closed the fourth quarter at 4.58%, 79 basis points higher when compared to the level at the end of the third quarter and 70 basis points higher when compared to the level at the end of 2023.

Outlook

The U.S. economy is expected to grow by 2.1% in 2025, with inflation projected to stabilize at 2.5%. Meanwhile the labour market may soften slightly, pushing the unemployment rate up to 4.3%. 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.