TRINIDAD & TOBAGO

For the Quarter: April to June 2025

Economic Review

According to the Central Bank of Trinidad and Tobago's (CBTT) 2024 Annual Economic Survey, indicators suggest that the domestic economy expanded in 2024. Supporting this assessment, data from the Central Statistical Office (CSO) indicated a 0.3% year-on-year increase in real GDP during the first nine months of 2024. This growth was primarily attributed to the resilience of the non-energy sector, which successfully counterbalanced a reduction in output from the energy sector. Energy sector activity was adversely affected by declining upstream production.

On the employment front, the labour market showed signs of softening as the unemployment rate rose to 5.5% in the fourth quarter of 2024, up from 4.1% in the third quarter. In May, headline CPI inflation fell marginally to 1.4% year-on-year, down from 1.5% in April. Meanwhile, core CPI inflation held steady at 0.7%, unchanged from April. Meanwhile, net official reserves registered a marginal decrease of 0.2% month on month, moving from US$5.3 billion (7.5 months of import cover) by the end of April to US$5.1 billion (7.3 months of import cover) by the end of May. This also represents a year-to-date decline of 9.1%.

Capital Market Review

In the second quarter of 2025, all three major local stock market indices declined with the TT Composite, All T&T and Cross-Listed indices falling by 2.1%, 1.6% and 3.7% respectively. Sector wise, the Property and Manufacturing I sectors were the only sectors with a positive outturn for the quarter, registering increases of 15.4% and 1.5%. In terms of individual stocks, L.J. Williams Limited was the top performer after registering a 38.9% price return. Conversely, NCB Financial Group Limited was the major laggard over the same period with a -15.4% price return. On the fixed income side, yields on the 3 and 6-month tenors remained unchanged in May. The 1-year yield decreased by 14 bps while marginal increases were observed in the 3–10-year tenors as well as the 17–30-year tenors.

Outlook

Trinidad and Tobago's economy is projected to achieve 2.4% growth in 2025 according to the IMF. This forecasted growth is underpinned by an expected modest recovery in liquefied natural gas (LNG) and natural gas production, coupled with stable domestic consumption. However, the recent revocation of U.S. licenses pertaining to joint gas projects with Venezuela, specifically the Dragon and Manakin-Cocuina fields, has tempered long-term prospects for the energy sector's expansion. Domestically, the economic environment is expected to benefit from several factors conducive to increased consumption. These include relatively low inflation and unemployment levels. Despite these domestic tailwinds, external risks remain elevated. Rising U.S. tariffs and a deceleration in global economic growth pose potential challenges to both export performance and the tourism sector. Persistent foreign exchange shortages and a decline in international reserves also raise concerns regarding the long-term sustainability of the exchange rate.

THE UNITED STATES OF AMERICA

For the Quarter: January to March 2025

Economic Review

According to the third estimate from the Bureau of Economic Analysis, the U.S. economy contracted by 0.5% in the first quarter of 2025, following a 2.4% gain in the fourth quarter of 2024. This was largely driven by a surge in pre-tariff import activity, a decline in federal government spending, and a slowdown in consumer spending. Nevertheless, the labour market remained strong with the unemployment rate declining to 4.1% in June from 4.2% in May. With regards to price levels, there was a slight uptick in inflationary pressures as evidenced by headline Personal Consumption Expenditures (PCE) inflation marginally increasing to 2.3% in May from 2.2% in April, while core PCE rose to 2.7% from 2.6% over the same period. At its June Federal Open Market Committee (FOMC) meeting, the Federal Reserve maintained the federal funds rate within the 4.25% – 4.50% target range amid expectations of higher inflation and lower economic growth ahead. The latest economic projections from the Bank still pointed to two 25 bps cuts later this year.

Capital Market Review

In the second quarter of 2025, U.S. equity markets recorded strong gains with the S&P 500 rising by 10.6%. Easing trade tensions between the U.S. and China along with hopes for additional trade agreements with other countries boosted sentiment. Over the second quarter, Information Technology, Communication Services, and Industrials were the top performing sectors with returns of 23.5%, 18.2%, and 12.6% respectively, while Energy performed the worst with a return of -9.4%. The 10-year U.S. Treasury yield closed the second quarter at 4.24%, 34 basis points lower when compared to the level at the end of 2024.

Outlook

According to the U.S. Federal Reserve, the U.S. economy is expected to grow by 1.4% in 2025, with inflation projected to measure at 3.0% by the end of the year. Meanwhile the labour market may soften slightly, pushing the unemployment rate up to 4.5%. 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.