TRINIDAD & TOBAGO

For the Quarter: July to September 2025

Economic Review

According to the Central Statistical Office (CSO), the local economy recorded a real GDP (at basic prices) contraction of 2.1% year-on-year in the first quarter of 2025, indicating widespread weakness across various sectors. The energy sector experienced a notable output decline of 4.8%, while the non-energy sector fell by 1.0%. This downturn contrasts sharply with the 3.4% growth recorded in the fourth quarter of 2024, driven by strong performances in manufacturing and petrochemicals. In September 2025, the government concluded its deepwater competitive bidding round for 26 offshore blocks, with few bids received and evaluations currently in progress. The UD-1 block, already under negotiation with ExxonMobil, is not included in this auction. These actions indicate T&T's efforts to revitalize its deepwater exploration agenda, although investor interest remains modest.

Domestic price pressures remain relatively contained. Headline inflation, as measured by the CSO's Consumer Price Index, measured 1.4% year-on-year in August 2025 which was unchanged from the rate three months earlier. Additionally, net official reserves rose by approximately 1.9% on a month-on-month basis, rising from US$4.6 billion (equivalent to 5.4 months of import cover) at the end of August to US$4.7 billion (equivalent to 5.5 months of import cover) at the end of September. In the Central Bank's latest Monetary Policy Announcement (September 26th, 2025), it was noted that liquidity conditions have been impacted by government financing operations, robust credit growth and (indirectly) by central bank sales of foreign exchange to authorised dealers. As of the end of September 2025, commercial banks' excess reserves stood at TT$2.8 billion, down from approximately TT$3.5 billion as at end of August 2025.

Capital Market Review

In the third quarter of 2025, all three major local stock market indices declined with the TT Composite, All T&T and Cross-Listed indices falling by 4.5%, 5.1% and 2.8% respectively. Sector wise, the Trading sector was the top performer over the quarter, registering an increase of 30.9%. In terms of individual stocks, A.S. Bryden & Sons Holdings Ltd recorded a strong 109.6% price return, while the biggest laggard was Trinidad & Tobago NGL Ltd, which fell by 28.3%. On the fixed income side, slight increases were observed across the yield curve, with most of the movement concentrated in the short to medium term. The most notable shift was at the 1-year tenor, which rose by 51 basis points year-to-date, reaching 4.45% at the end of September

Outlook

Trinidad & Tobago's economic outlook for 2026 is cautiously optimistic yet heavily dependent on various conditions. Following a 2.1% decline in real GDP and a 4.8% drop in energy output in the first quarter of 2025, challenges such as foreign-exchange constraints, fiscal deficits, and geopolitical tensions pose downside risks. S&P has cautioned that constrained prospects lie ahead, projecting approximately 1% growth in both 2025 and 2026 and revising the sovereign's outlook to negative given fiscal stress, energy sector decline, and mounting debt pressures.

In a significant development, the U.S. government has given the green light to Shell and the Government of Trinidad and Tobago to move forward with the development of the Dragon gas field in Venezuela — a positive sign for the energy sector's medium- to long-term potential. However, the effect of this development remains uncertain following the Venezuelan government's announcement of the termination of gas agreements with Trinidad and Tobago.

Economic and Capital Market Wrap

THE UNITED STATES OF AMERICA

For the Quarter: July to September 2025

Economic Review

According to the Bureau of Economic Analysis, the U.S. economy grew by 3.8% in the second quarter of 2025, following a 0.6% contraction in the first quarter. This rebound was driven by stronger consumer spending, solid business investment, and increased exports. On the labour front, the official U.S. jobs report for September 2025 was not released due to the ongoing government shutdown. However, alternative data from the Chicago Fed suggests the unemployment rate likely held steady at 4.3% for the month.

Regarding inflation, price pressures have remained stable, though persistent and above target. Despite some minor fluctuations throughout the year, headline PCE inflation stood steady at 2.7% in August, the same as at the start of the year. Meanwhile, core PCE inflation experienced a slight decline, easing from 3.0% to 2.9% over the same period. At its September meeting, the Federal Reserve cut its target rate by 25 bps, setting the new range at 4.00% – 4.25%, and signalled two further cuts in 2025

Capital Market Review

In the third quarter of 2025, U.S. equity markets recorded strong gains as the S&P 500 jumped by 7.8%, boosted by robust corporate earnings, heightened expectations of Fed rate cuts, and risk-on sentiment fuelled by optimism over AI innovation. Leading the way were the Information Technology, Communication Services, and Consumer Discretionary sectors, with impressive returns of 13.0%, 11.8%, and 9.4% respectively. The Consumer Staples sector lagged behind, falling 2.9% for the quarter. In the fixed income market, the 10-year U.S. Treasury yield ended the quarter at 4.15%, some 43 basis points lower compared to the end of 2024, reflecting expectations of future rate cuts.

Outlook

According to the U.S. Federal Reserve, the U.S. economy is expected to grow by 1.6% in 2025, with inflation ending the year at around 3.0%. Unemployment is forecast to rise slightly to 4.5%, while the Fed is expected to implement two rate cuts, bringing the target rate down to a 3.50%–3.75% range. However, risks remain. These include resurgent inflation, growing federal deficits, and policy uncertainty tied to the evolving political landscape — all of which could lead to increased market volatility.