

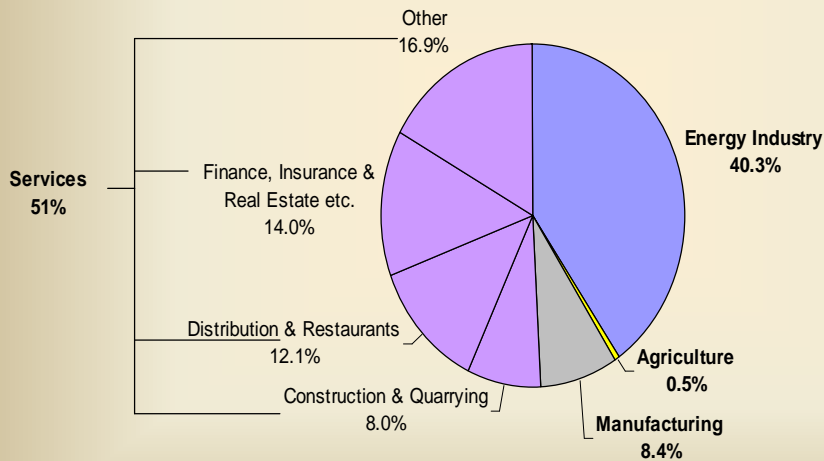
Can we grow without energy ?

In the absence of adequate economic growth, it is inevitable that unemployment will rise in Trinidad and Tobago and this scenario will be further exacerbated if such conditions are protracted. In this regard, the restoration of economic growth ought to be the most important pillar of the 2010 fiscal package. This is further complicated by the absence of a strong growth impetus from the energy sector, which has served us well over the years, but based on current output and price trends this sector is not expected to provide the necessary growth stimulus as it has in the recent past. Therefore, the role of the non-energy sector will take on even greater importance and relevance in stabilizing the current economic environment. The creation of an enabling environment that facilitates new and sustainable growth within the non-energy sector is therefore critical if we are to avoid:

- Persistent fiscal deficits and rising public debt leading to the crowding out of the private sector, i.e commercial banks will increase lending to a cash strapped government to the detriment of private sector borrowers.
- Balance of payment deficits and a weakened TT Dollar.
- Increasing rates of unemployment and
- Low investor and consumer confidence

Essentially, the economy of Trinidad and Tobago is comprised of four critical sectors; the energy sector, the services sector, the manufacturing sector and the agriculture sector. Of these sectors, the service sector and the energy sector have been the major contributors to Gross Domestic Product (GDP). In 2008, Trinidad and Tobago had an estimated GDP (at constant 2000 prices) of TT\$93,024.5 million. The services sector and energy sector accounted for 51% and 40.3% of GDP respectively in 2008. Whereas, the manufacturing and agriculture sectors contributed 8.4% and 0.5% to GDP respectively.

GDP Composition of Trinidad and Tobago at Constant (2000) Prices for 2008



The services sector is robust and diverse with each sub-sector contributing significantly to GDP, whereas the agriculture sector though a small contributor to GDP, is labour intensive and possesses significant opportunities for new growth and employment creation. Stimulating rapid growth of the agricultural sector also provides the opportunity to reduce the food import bill and create greater domestic price stability. Other sectors which hold prospects for new growth in new markets are manufacturing and tourism.

Can we build a robust Services Sector and eventually a robust Services Economy?

The Services Sector generates in excess of half of the total output of the local economy. It is also evident that this Sector also accounts for more than 80% of the total employment in Trinidad & Tobago. Notably, the real contribution of the services economy to GDP was approximately 60% in 2001. This declined to 51% by the end of 2008 while its contribution to national employment rose to 82%.

This suggests that, the services sector remained by far the most important sector in terms of employment creation when compared with the manufacturing, agriculture and the energy sectors.

Based on these characteristics, the following national strategic issues come into focus:

- What aspects of the services sector are exportable? How can these sub-sectors be more competitive and do we have access to key markets, traditional and non-traditional ?
- How can the services sector be positioned to enhance the growth of the agriculture and manufacturing sectors?
- If sustainable job creation is predominantly located in the services sector then what type of services and service providers should we develop?
- Can we wean the exportable components of the services sector off of State funding and thus create a cadre of competitive service providers who will strategically seek out export markets as part of well crafted growth strategies?.
- Are we getting “value for money” from the Services sector both public and private and is there a need to revisit the way in which we organise the production of services and manage service quality and consistency?

The fiscal package for 2010 is therefore expected to address the sources of new economic growth for Trinidad & Tobago even as we continue to diversify the energy sector and create higher value-added exports. The creation of the enabling environment for the growth and development of the non-energy sector ought to be a priority as we seek to enhance our competitiveness in traditional and non-traditional export markets. This enabling environment must address issues such as :

- The development of appropriate skills within the labour market
- The provision of funding for business growth and development
- Enhancing critical infrastructure
- The provision of critical business support services

Agriculture, manufacturing and the services sectors will have to provide new platforms for economic growth and employment creation but this will require the implementation of the appropriate policy framework and a commitment to enhancing competitiveness on a national level and at the level of the firm. These are the fundamental issues that the fiscal package ought to address.