

Economists want sustainable solution to forex shortages



Dr Marlene Attzs

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Economists Dr Marlene Attzs and Dr Vaalmikki Arjoon have said that T&T's current forex situation is unsustainable and there is need for examination of long-term effects and implementation of more sustainable solutions.

Noting that the 22-page survey and report by the T&T Chamber, which was released yesterday, provided a useful summary of the difficulties in accessing forex that have far-reaching implications for the business community and the broader economy, Attzs said: "I think addressing the forex challenges we currently face requires deeper analysis, including a conversation around the structure of the economy, broader stakeholder inclusion and a more robust methodological framework. For instance, the document identifies 'dipstick testing' as the primary research method but offers few details about the sample size, selection criteria, or limitations of this approach."

Additionally, she said exploring the behavioural aspects of the issue, such as how consumption patterns can adapt to forex constraints, would add valuable depth. She said focus groups on consumer behaviour could be particularly insightful, especially given the document's observation that "recent reports indicate that while the demand for forex has risen, the supply from domestic sources has failed to keep pace, creating a shortage."

Attzs added that it would be beneficial to examine the long-term implications of forex shortages on critical areas such as investment, employment, and economic stability. Such an analysis would not only enhance the study's comprehensiveness but improve the Chamber's ability to craft actionable and forward-looking solutions.

Arjoon said the current forex climate spawns uncertainty that hurts investment and stifles economic growth. He noted that many survey participants cited challenges with compliance requirements and documentation, suggesting that bureaucratic hurdles exacerbate waiting times.

This environment, Arjoon said, particularly hampers small and medium-sized enterprises that lack the capital buffers of larger firms. He emphasised that without urgent reforms, the scarcity of forex and inequitable distribution will continue to undermine productivity, widen socioeconomic disparities, and constrain national development prospects.

He said one noteworthy finding is the perceived inequity in forex allocation.

“While 58.6 per cent of participants receive just zero to 25 per cent of their forex needs from banks, 10.8 per cent manage to secure over 90 per cent. It is possible that some of those who access healthy amounts may be high-value clients to the banks willing to take high interest US\$ loans or hold several mortgages etc.

“More than one-third wait a month to access forex, which delays supplier payments. These challenges are compounded by port and shipping obstacles, further increasing costs,” Arjoon said.

Many businesses, he said, must resort to the black market for the remaining funds, driving up expenses and reducing their ability to pay workers, maintain profitability, or reinvest in their operations as he further noted that 59 per cent of respondents reported a decline in profits.

At first glance, Arjoon said allowing the currency to float freely might seem like a straightforward solution but it will do more harm than good.

“In theory, a free float would align the exchange rate more closely with market forces. However, in an economy that lacks substantial non-energy export sectors and diversified production for meaningful import substitution, a full float would trigger a steep rise in the exchange rate—far exceeding the black-market rate, which is itself pegged at a premium above the official rate,” Arjoon explained.

However, he said a less tightly managed flexible currency regime holds some merits as it can trim demand for non-essential imports, luxury goods and overseas travel.

Arjoon said this underscored the urgent need for a multi-pronged strategy. He recommended that the country embark on a genuine and sustained diversification drive.