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Arjoon: SOE could affect credit rating



Economist Vaalmikki Arjoon

Economist Dr Vaalmikki Arjoon said yesterday the State of Emergency (SoE) could impact Trinidad and Tobago's economic outlook in the eyes of international ratings.

The economist stated that Moody's recent ratings would have likely been different had the SoE been called prior to the release of the recent assessment.

Moody's affirmed Trinidad and Tobago's rating at Ba2 with a stable outlook on December 16, 2024.

"It happened a few weeks before the State of Emergency was announced. Now, had the review taken place after the SoE was announced, there's a strong possibility that we could have faced a downgrade, or at minimum an outlook revision from a stable to negative," said Dr Arjoon, who added the SoE could have a negative impact on tourism and other economic avenues for Trinidad and Tobago.

"Although the State of Emergency is indeed warranted, given the chronic crime situation, it is also a red flag for heightened social risks and likely economic disruptions like reduced foreign direct investment, lower consumer spending, lower tourist activities, weaker business confidence," he said, adding that the Government may have divert or introduce additional funding for the SoE.

He explained, "Collectively, all of these factors increase the downside risks to the country's credit profile, and could even trigger a rating downgrade in the future, unless the State of Emergency shows a meaningful drop in criminal activities, which is maintained even after the State of Emergency is lifted."

Arguing that the Moody's rating was predicated on promising developments in the energy sector concerning natural gas production, Arjoon said the Government would also need to improve investor confidence, so that there is greater foreign direct investment in the economy as foreign exchange margins remain a concern.

"One would expect, however, that these ratings are likely to improve by 2027 when the Manatee natural gas comes on stream. In the meantime, however, there are other things we can do, some of which I'm sure the Government is looking at already. This would include pursuing leases for smaller gas fields, those gas fields that are deemed less financially viable by Shell and BP, but

can be leased to the small producers because they can yield incremental gains in production and revenue,” the economist said.

Arjoon also said the Government could continue to improve the fiscal terms for future bid rounds.

On the non-energy sector, the economics lecturer said, “We ought to continue to facilitate broader economic diversification by removing the obstacles to doing business like foreign exchange restrictions, customs and poor delays, etc. All of these together can help us to reinforce our external balances, our export earnings, to reduce the vulnerabilities tied to hydrocarbon dependence, and, of course, enhance our investor confidence over the medium term. These can all help to boost our credit ratings.”

On Wednesday, Finance Minister Colm Imbert stated in a press release that Moody’s rating confirmed the Government’s diversification plans were being recognised.