

MEDIA RELEASE

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CariCRIS lowers the sovereign issuer ratings assigned to the Government of The Republic of Trinidad and Tobago

Caribbean Information and Credit Rating Services Limited (CariCRIS) has lowered its sovereign issuer ratings assigned to the Government of The Republic of Trinidad and Tobago (GORTT) by **1 notch** to *CariAA* (Foreign and Local Currency Ratings) on its regional rating scale. These ratings indicate that the level of creditworthiness of the GORTT, adjudged in relation to other rated sovereigns in the Caribbean, is **high**. The ratings also convey investment grade quality for the GORTT as an issuer, both on the CariCRIS regional rating scale and on the global rating scale, when mapped.

The 1-notch lowering of the GORTT's ratings is driven by:

1. A general deterioration in key credit metrics of the sovereign over the past 5 years from when our ratings were last adjusted, as summarised in the table below:

Credit Metric	2016	2021
Net Official Reserves (US \$'Mn)	9,465.8	7,388.9*
Import Cover (months)	10.5	9.0*
Total General Government Debt to GDP (%)	78.5	96.8^
Adjusted General Government Debt (AGGD) to GDP (%) ¹	57.3	89.5^
DSCR (times)	5.9	3.0^

¹ Total General Government Debt (net of OMOs and Sterilized Instruments)

* CBTT Projected December 2021

^ CariCRIS Projected September 2021

2. An increase in total general government debt above 86% of GDP;
3. Generation of fiscal deficits above 8% of GDP in FY2019/20 and projected FY2020/21; and
4. Sustained deterioration of Debt Service Coverage Ratio (DSCR) to below 4 times.

Factors 2, 3 and 4 were identified as Rating Sensitivity factors; i.e. factors that could lead to a lowering of the ratings in our June 2020 report.

The ratings are driven by the following strengths: (1) Trinidad and Tobago (T&T) is a large regional economy, supported by both energy and non-energy activities, (2) there are satisfactory monetary and exchange rate conditions in the financial sector, and (3) T&T retains comfortable debt service coverage when compared to its regional peers. These rating strengths are tempered by the following factors: (1) international reserves continued to decline, (2) COVID-19 has significantly eroded fiscal performance, (3) social vulnerabilities persist, worsened by rising unemployment and heightened crime levels, and (4) there is a continued lack of reliable and timely macroeconomic data.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is based on (i) the slower rate of GDP decline expected in 2021 and a return to growth in 2022; (ii) robustness in T&T's sovereign wealth fund despite drawdowns for budgetary support; (iii) anticipated improvement in fiscal balances as COVID-19 impacts draw to a close given vaccinations domestically and globally, along with some positive tax and expenditure measures; (iv) expectations for debt to GDP to be contained within the new rating category's limits; and (v) continued financial sector soundness and strength in international reserves and import cover.

Rating Sensitivity Factors

Factors that could, individually or collectively, lead to an improvement in the Ratings and/or Outlook include:

- A decrease in the total general government debt to below 65% of GDP over the medium-term
- A sustained improvement in debt servicing capability to above 7 times over 2 consecutive years
- A fiscal surplus in excess of 3% of GDP sustained over 2 consecutive years
- A rise in the import cover to 12 months or more over the next 24 months

Factors that could, individually or collectively, lead to a lowering of the Ratings and/or Outlook include:

- An increase in the total general government debt to above 100% of GDP over the next 12 months
- A sustained deterioration in debt servicing capability to below 3 times over 2 consecutive years
- A fiscal deficit in excess of 9% of GDP sustained over 2 consecutive years
- A fall in the import cover to 6 months or less over the next 12 months

- GDP contraction of >2% in 2021 and/or growth of <1% in 2022

ABOUT THE SOVEREIGN

Trinidad and Tobago (T&T) are the two southernmost islands of the Caribbean chain and lie just seven miles off the north-eastern coast of Venezuela. The islands are outside of the usual path of hurricanes and have largely been spared the annual devastation that some of their northern neighbours have endured from storms and weather-related troughs. The population, estimated to be 1.4¹ million people, comprises descendants of primarily India and Africa. The reported adult literacy rate is above 98 per cent² and education is free up to the secondary school level, with significant subsidization of tertiary education. The official language is English.

The expansion of T&T's oil industry in the 1950s moved the country from a sugar-based to an energy-based economy. The vast petroleum and natural gas reserves have enabled the country to develop downstream industries such as the production of liquefied natural gas, methanol and nitrogenous fertilizers. The country also has strong financial services, manufacturing, and wholesale & retail distribution sectors. Tourism is a growing sector in the economy.

For more information on the Government of the Republic of Trinidad & Tobago's ratings, please visit www.caricris.com or contact:

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¹ Source: Central Statistical Office (CSO)

² Source: World Bank