# Caution: Fiscal Deficits Ahead!

In our review of the last year's Budget (2008/9) we spoke about "worrying clouds on the horizon". These have indeed brought rain as the full blown global crisis is reflected in an expected 1.0 percent (or greater) decline in real output of the Trinidad and Tobago economy for 2009. Further, this country would register a budget deficit of an estimated $8.4 billion or 6.3 % of GDP in the current fiscal year. The global crisis has indeed reached these shores!

There is no need for undue anxiety however, as this country, unlike many other developed and developing countries, still has the resources and credit rating to weather the storm in the short to medium run.

The challenge is to ensure that the Government as well as the private sector use this hiatus to their advantage. One way in which this can be done is to focus on an improvement of all round efficiency. While long overdue, the introduction in this Budget of "Output-based Budgeting" is welcomed. One can only hope that it is introduced with far more urgency than is often witnessed with other announced initiatives. Further, this must be tied to the announced initiatives for the social sector as well as construction, manufacturing and infrastructure if they are to translate into economic growth and jobs.

Another way to use this period is to revisit the assumptions of Vision 2020. This too is overdue as the dynamics of the world economy are substantially different to what obtained when the Planning Committee of Vision 2020 was convened some six years ago. For example, a crucial assumption of 9% annual growth in per capita GNP, which was required for the achievement of the Vision, seems now to be off the agenda.

The energy sector is still the mainstay of this economy and natural gas was supposed to be its new driver. Not only has the price fallen dramatically to just under US$2 per Mcf from upwards of US$8 not too long ago but the recent Ryder Scott Report has pointed to a decline in proved reserves of some 1.5 Tcf in 2008. Crude oil production continues to decline. Whether or not new resources will be found or whether prices would rebound, there is an urgent need to address growth of new or additional drivers of foreign reserves, jobs and long run growth. This slowdown in the economy might usefully be used to so focus.

Perhaps a case can be made that we didn’t do as well as we ought to have done in the time of plenty. Perhaps less intransigence by the authorities in the face of cautions on spending and the severity of the global crisis was warranted. However, despite its lack of firm dates and figures, the underpinnings of this fiscal package are decidedly more grounded, with a budgeted oil price of US$55 and a gas price of US$2.75.