Budget 2025/2026 Commentary

An Attempt to Address Needs and Fulfil Promises

Having led the country for less than six months, the new United National Congress government delivered the 2025/2026 National Budget in the most demanding of settings. An environment where the need for urgent economic and fiscal reforms is confronted by manifesto promises and the continued cries among key stakeholders for relief from several longstanding issues such as inefficient ports, foreign exchange shortages, cost of living challenges and crime. Well before the April 2025 general election, it was clear to most citizens that the next five years would be no cakewalk for any government to navigate. Afterall, the country has long faced a significant decline in energy sector output, continues to struggle to gain meaningful momentum in its diversification thrust and faces severe fiscal challenges, having run a deficit for 13 of the last 15 years, to name a few of the issues. Amid these and other concerns, the country's foreign exchange reserves fell to 5.4 months of import cover in August 2025 (its lowest level since 2006) and its Standard and Poor's rating outlook was revised from stable to negative a month later. But even when it seems like it is all coming to a head, there is always reason for hope. The recent granting of a six-month OFAC licence by the US, to allow this country to begin negotiations with Venezuela to access the reserves of the Dragon gas field, is an example of this, notwithstanding how elusive this gas has proven to this point.

For his part, the Minister of Finance, Davendranath Tancoo, sought to manage expectations weeks before the delivery of the latest fiscal package, advising citizens that government's election promises will be delivered over the five-year term rather than just one. Just a few days before its delivery, he encouraged citizens to view the budget as the beginning of the process to transform the country and take it in a more positive direction.

The 2025/2026 fiscal package seeks to strike a delicate balance, as it aims to ease the burden on low-income households on one hand and implement key reforms and new revenue raising initiatives on the other. A good example of this is the adjustments made to the fuel subsidy and fuel prices. From January 1, 2026, the subsidy on liquified petroleum gas cylinders of 100 pounds and above will be cut by $0.50 per pound, while cylinders below 100 pounds, including the 20-pound version that is commonly used by households, will continue to be subsidised at the current rate. Additionally, given low global oil prices, government decided to cut the pump price of super gas by $1, a measure it projects will save the associated motorist $50 whenever they fill up. Before the cut, super gas was being sold above the market price, in effect allowing government to raise revenue instead of paying a subsidy.

The government used the opportunity of the budget to roll out several fiscal measures that seem geared to offset the potential revenue lost when it fulfilled its promise to cancel the property tax and other revenue generating initiatives of the previous administration. Among the new instruments are a 0.25 percent levy on the assets of commercial banks and insurance companies, a landlord surcharge of 2.5 – 3.5 percent on gross annual rental income and a $0.05 per kWh electricity surcharge on commercial and industrial customers. These measures would likely result in increased costs for the affected companies and were accompanied by increased fees and charges for government services, as well as increased excise duties. The minister made sure to highlight that the increased fees were necessary to reflect the true cost of services provided by government agencies, safeguard quality standards and enable modernisation. Nevertheless, with the adjustments resulting in a doubling in some charges, including container processing fees, businesses and citizens would no doubt hope for commensurate improvement in their experiences at the ports and other state agencies.

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An initiative that would likely generate significant praise for the government is the planned National Payment and Innovation Company of Trinidad and Tobago (NPICTT). The NPICTT is expected to contribute significantly to the administration's digitisation thrust as it would provide a unified platform to manage all government's collections and disbursements. The system is expected to be a lot more customer-focused than current options and will provide citizens with a variety of payment options. It is also envisaged to appreciably improve oversight, efficiency and the management of public finances and thereby result in significant cost savings for the government and citizens.

Encouragingly, the budget seeks to remedy the unsustainable mismatch between premiums collected by the National Insurance Scheme (NIS) and the benefits paid. The 11th actuarial review indicated that in its current state, the fund will be depleted by 2034, if no corrective action is taken. Given the critical role the NIS plays in looking after the country's vulnerable citizens, urgent action is needed. Accordingly, contributors to the scheme will be asked to pay 3 percent more starting in January 2026, with another 3 percent increase planned a year later. Further, the finance minister announced plans to gradually increase the age at which a full NIS retirement pension is paid from 60 to 65 starting in 2028.

The 2025/2026 budget is based on an oil price of US$73.25 per barrel and a gas price of US$4.25 per million British thermal units (MMBtu). With the US Energy Information Administration (EIA) projecting oil (Brent) and gas prices to average US$52.16 and US$3.94, respectively in 2026, the government's outlook seems optimistic. Nevertheless, the administration will have the opportunity at the Mid-year Review to make whatever adjustments deemed necessary should actual prices trend closer to EIA predictions. Total revenue is predicted to reach $55.4 billion in fiscal 2026, compared to the actual outturn of $50.6 billion a year earlier. Energy revenue is expected to contribute $11.3 billion, with capital revenue likely to register at $711 million. Total expenditure is projected to fall marginally from $59.3 billion in fiscal 2024/2025 to $59.2 billion. Based on the foregoing, government is set to incur an overall deficit of $3.9 billion or 2.2 percent of GDP. However, given the gap between EIA's and the government's forecast, it will be no surprise if the actual fiscal deficit recorded in 2026 is larger than initially envisaged.

The maiden fiscal package of the current administration titled "T&T First: Building Economic Fairness through Accountable Fiscal Policies", was presented with a view to begin the process of resetting the domestic economy. Notwithstanding the stiff challenges, Mr. Tancoo struck an optimistic tone regarding his administration's ability to turn things around. Perhaps more importantly, he expressed confidence that the measures in this budget are precisely what is needed to commence the transformation, a belief that will undoubtedly be tried in the court of public opinion and tested over time.

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