

Budget 2026/2027 Commentary

Government Strikes an Inescapably Optimistic Tone

The occasion of the 2026/2027 National Budget finds the country and indeed the government in an interesting place. On the one hand, recent plant shutdowns in the downstream energy sector serve as a stark reminder of the severe challenges facing the domestic energy sector, especially as it relates to upstream production. This is accompanied by a flagging non-energy sector, where most of the usual barometers of activity (cement sales, new motor vehicle sales, retail sales etc.) have thus far produced disappointing outturns for 2026. Unsurprisingly, the Review of the Economy projects real GDP to contract by 2.2 percent in 2026. On the other hand, the prospect of new gas output from the Coconut, Ginger and Manatee fields, starting in 2027 has generated a fair amount of optimism regarding the potential ease these resources could provide in the areas of public finance, foreign exchange earnings and economic growth. However, these projects are not expected to provide meaningful momentum to the wider economy before 2028.

What this essentially means is that the management of the economy would continue to be a most unenviable task heading into 2028. Accordingly, this latest fiscal package was seen by many as an opportunity, in the first instance, to prepare the economy to make optimal use of rents expected from the new gas output. Key stakeholders also called on the government to further address longstanding impediments to an efficient and welcoming domestic business environment. This plea has been recurring for many years and usually crescendos around budget time. On this occasion, however, there is a pervading sense that business facilitation will be critical to leveraging the new energy receipts in a way that would allow the country to gain meaningful momentum in its diversification thrust. In addition to these hefty matters, the government needed to ensure that it introduced and/or enhanced existing initiatives to enable the efficient and sustainable delivery of its social interventions and took adequate steps to protect recent gains such as the reduction in the murder rate. This is no mean feat.

For its part, the government struck an optimistic tone in the lead-up to the delivery of the 2026/2027 National Budget, even as it acknowledged the difficult path ahead. Prime Minister, Kamla Persad-Bissessar, assured the nation that her administration is making tangible progress in attracting new investment, rebuilding the economy and laying the foundation for thousands of new sustainable jobs to be created. The confident tone was maintained by the Minister of Finance, Davendranath Tancoo, during his delivery, as he used the opportunity to highlight the successes of the UNC administration to date.

The latest fiscal package, which is envisaged by the minister to generate explosive growth, is based on an oil price of US\$77 per barrel and a gas price of US\$5 per million British thermal units

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(MMBtu). The budgeted oil price is reasonable as it falls within the US Energy Information Administration's (EIA) Brent Spot price projections for 2027 (US\$83.74 per barrel). Although the budgeted gas price is above EIA's 2027 Henry Hub projection of US\$3.16 per MMBtu, it's worth remembering that this country receives a blended price for its gas, which includes Henry Hub on the low end and the comparatively high Asian and European benchmarks. For instance, Asian spot prices are currently over US\$20 per MMBtu. In any case, the government will have the opportunity to make adjustments, if needed, during its Mid-Year Review. Government envisages total revenue to reach \$59.7 billion in fiscal 2027, compared to the estimated outturn of \$54.2 billion in 2026. Non-energy revenue is expected to register a strong 23.2 percent increase, while energy revenue is projected to fall from \$17.1 billion to \$14.4 billion. Total expenditure is projected to rise by \$2.1 billion, or 3.4 percent to \$63.4 billion in 2027. The budget caters for an overall deficit of \$3.6 billion, down from the estimated outturn of \$7 billion a year earlier.

The announcement by Mr. Tancoo of increases in senior citizens, public assistance and disability grants was no doubt welcomed by the beneficiaries of such social programmes. The increase is in line with government's continued efforts to look after the vulnerable citizens by increasing their disposable income. The recipients in these three categories of social programmes would all benefit from an increase of \$250 per month, effective January 1, 2027. More than 165,000 individuals benefit from these three initiatives, with 124,000 in receipt of senior citizens grants. In addition, pensioners will also benefit from an increase in their personal tax allowance from \$90,000 to \$102,000.

The disclosure by the minister that government was only able to execute \$3 billion of its budgeted \$5 billion capital investment programme in the 2026 fiscal year, is reflective of the country's long history of implementation challenges. This is concerning because construction plays a considerable role in helping to drive non-energy sector activity and is a major employer. In essence, the \$2 billion unspent capital represents forgone stimulus to the domestic economy that would have generated considerably more activity through the multiplier effect. With procurement identified as one of the major impediments to the successful execution of the Public Sector Investment Programme, government passed amendments to the Public Procurement and Disposal of Public Property Act in September 2026, to aid the completion of infrastructure projects. In news of other public sector projects, key stakeholders were and remain eager for updates on government's signature development programme, the Revitalisation Blueprint, which was launched in November 2025, and caters for 120 projects and 72,000 new jobs. However, true to his modus operandi throughout the budget presentation, the finance minister indicated that the line minister would share more regarding progress and plans as the budget debate unfolds.

Budget 2026/2027 Commentary

Domestic producers and businesses in the entertainment sector, particularly SMEs, likely breathed a collective sigh of relief when the 25 percent reduction in excise duty on alcohol was announced. Businesses in the entertainment sector, including restaurants, reported a notable fall in sales after government increased taxes on alcoholic beverages a year ago. The reduction suggests that their concerns clearly caught the attention of the minister. The reduction in rates will also extend to imported alcoholic beverages, as the country moves to a more consistent excise treatment between locally produced and imported products. The excise duty structure will also be changed to an ad valorem system where rates will vary based on value.

Plans by government to increase the participation of the average citizen in the domestic capital market are to be applauded. This will help to increase financial literacy, options for savings and add further dynamism to the market, a quality that it sorely lacks. The launch of the government savings bond and retail government security programmes would allow the average citizen to invest in government securities and thereby participate in a realm traditionally occupied by institutional investors and financial institutions. Citizens should be comforted by the fact that government securities are among the safest investments.

It remains to be seen whether the 2026/2027 fiscal package delivers the explosive growth government anticipates. However, the optimism the government sought to transmit during its delivery is inescapable. The projected robust increase in non-energy revenue is perhaps the clearest manifestation of that confidence and suggests an expected acceleration in that part of the economy. At this juncture we will have to wait until the various line ministers reveal and explain key plans and projects to make a more informed preliminary assessment of the Budget.

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