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T&T: Staff concluding statement of the 2026 Article IV Mission

AN International Monetary Fund (IMF) staff team, led by Ana Guscina, visited Port of Spain and Scarborough during January 27February 9, 2026, and held discussions on the 2026 Article IV consultation with Trinidad and Tobago's authorities. At the end of the consultation, the mission issued the following statement, which summarises its main conclusions and recommendations.

Recent macroeconomic developments

1. Trinidad and Tobago's economy is gradually recovering to pre-pandemic levels amid persistent headwinds. The non-energy sector, particularly manufacturing and services, has underpinned recent growth, but stagnant production in the mature energy sector has weighed on activity Inflation and unemployment are low, the banking sector appears sound, and private sector credit growth is robust. The current account (CA) balance remains in surplus, though the external position has weakened and FX shortages persist. Foreign reserves remain adequate, with coverage at 6.4 months of prospective imports. The Heritage and Stabilisation Fund (HSF) assets continue to provide an additional sizeable buffer (US$6.38 billion as of February 2026).

2. A new administration took office in May 2025 with an economic revitalisation policy agenda. The new government is focusing on revitalising the energy sector through facilitating work on mature fields, deepwater exploration, and fostering regional collaboration with Suriname, Guyana, and Venezuela. They are also striving to lift non-energy growth through greater emphasis on improving the business environment, encouraging trade and foreign direct investment, and promoting economic diversification.

3. The fiscal deficit in FY2025 remained high and public debt has risen. The overall deficit of the central government for FY2025 is estimated at 5.5% of GDP, compared with 5.9% of GDP in FY2024, as the windfall from a tax amnesty, improved energy revenues, and contained spending on wages and capital spending more than offset a drop in non-tax revenue and increases in expenditure on goods and services and in transfers and subsidies. The non-energy central government primary deficit widened from 14.2% of non-energy GDP in FY2024 to 14.9% in FY2025. Central government debt rose to 67.8% of GDP (64.5% in FY2024), and public sector debt reached 84.2% (81.8% in FY2024). Although the FY2025 deficit was financed through domestic borrowing and HSF withdrawals of US$411 million (1.6% of GDP), strong investment returns nonetheless increased the HSF balance by about US$250 million (1% of GDP).

4. The country retains investment-grade sovereign credit ratings and international market access. In September 2025, Standard and Poor's affirmed the BBB- rating, while revising the outlook to negative. In December 2025, Moody's maintained its Ba2 rating but also downgraded the outlook to negative. CariCRIS continues to assign an AA rating, the highest in the Caribbean. In January 2026, the government successfully issued a US$1 billion 10-year international bond with an implied spread of about 241 bps above the comparable US Treasury Note, and the issuance was 2.5 times oversubscribed.

Macroeconomic outlook and risks

5. Economic growth is expected to remain subdued in the near term before gradually recovering over the medium term. The economy is estimated to have grown by 0.8% in 2025, driven by non-energy sectors. Real GDP growth is projected to moderate to 0.7% in 2026, as stronger growth in the non-energy sector partly offsets an anticipated decline in energy production. Medium-term growth prospects are expected to improve as several new energy projects, most notably Manatee, come on stream, lifting growth to around 2.9% in 2027 and 3.5% in 2028. Inflation is projected to hover around 2% in the near to medium term, broadly in line with international trends.

6. The CA is projected to remain in surplus. The CA surplus is expected to improve to 3% of GDP in 2025, reflecting a modest increase in energy exports and a decline in goods imports. Over the medium term, the CA surplus is projected to average about 4% of GDP. The CA is assessed as moderately weaker than fundamentals. 7. The economic outlook is subject to considerable uncertainty, and the balance of risks is tilted to the downside in the near term and to the upside in the long term. Domestic risks to growth and the external sector stem from lower oil and gas production, which could result from disruptions in mature fields or delays in new projects. Policy slippages and persistent FX shortages may weaken market confidence. Externally, elevated global uncertainty, trade disruptions, tighter global financial conditions, and regional geopolitical tensions pose additional risks. On the upside, faster progress on structural reforms and higher energy prices could strengthen economic activity and boost fiscal revenues. There is a positive momentum in the energy sector with deepwater exploration activity and potential regional agreements, which are not included in staff's baseline until final investment decisions are announced. There are also upside risks to non-energy growth from private investment in the government's Revitalisation Blueprint.

Enhancing fiscal discipline while strengthening the fiscal framework 8. The FY2026 budget introduces important measures to strengthen fiscal revenues, fiscal management, social protection, and economic diversification. The approved budget targets an overall fiscal deficit of 2.2% of GDP, which entails an ambitious consolidation. The budget includes an asset levy on banks and insurers, surcharges on landlords and commercial electricity consumption, and higher excise duties and fees. Additionally, the National Gas Company is expected to increase its dividend payments to the government, reflecting improved retained earnings from cost-cutting measures and the higher gas prices it announced for its light industrial and commercial customers. Together with tax administration measures to fully staff and modernise the Inland Revenue Division and Customs, these should help strengthen nonenergy revenue collection. At the same time, the budget expands targeted support for agriculture, housing, and vulnerable groups.

9. Stronger fiscal consolidation is needed to place public debt on a firmly declining trajectory, rebuild policy buffers, and safeguard market access. IMF staff project an overall deficit of 5% of GDP for FY2026, slightly improving compared to FY2025. Meeting the authorities' 2.2% of GDP fiscal balance target would require additional fiscal measures amounting to 2.8% of GDP. Under the current outlook for energy prices, agreed settlement of back pay obligations to public sector union workers and additional hiring of public sector workers in October 2025, such a large adjustment would be very difficult to implement without significantly weakening growth. Assuming an unchanged exchange rate regime, staff suggests targeting a 3.5% of GDP fiscal deficit in FY2026, by

implementing 1.5% of GDP in additional high-quality measures, including broadening the tax base by phasing out extensive zero ratings and exemptions in the VAT, accelerating the removal of untargeted utility subsidies while protecting the vulnerable households, streamlining transfers to SOEs and putting them on a sounder financial footing, and improving the efficiency and quality of public expenditure. Such still sizeable and frontloaded adjustment will put debt on a firmly downward path and reduce vulnerabilities, while the emphasis on base broadening, efficiency, and targeting would help mitigate the impact on near-term growth.

10. IMF staff welcomes the authorities' courageous steps taken to improve the long-term sustainability of the public pension system. The country faces the twin pressures of a rapidly aging population that increases expected pension and healthcare costs and an aging energy sector that limits the potential for future revenue growth to cover these costs. The announced gradual increase in the retirement age and contributions rates (already enacted) will help delay the depletion of the National Insurance System (NIS) assets by 15 years. To strengthen the system, it will be important to improve compliance, broaden the contribution base, and embed automatic adjustment mechanisms in NIS legislation. Further reforms to the non-contributory pension system are also necessary to contain costs to the budget. Better integrating the contributory and non-contributory schemes and improving administrative efficiency would enhance equity and fiscal sustainability.

11. A rules-based fiscal framework would help reinforce fiscal discipline and improve medium-term management of public finances. In a highly uncertain global environment, a rules-based medium-term fiscal framework will enhance fiscal discipline, mitigate fiscal risks, help avoid procyclical fiscal policy, and safeguard HSF savings for future generations. Broadening fiscal data coverage to include SOEs and other public bodies is important to improve transparency and assess the public sector's broader macroeconomic footprint and any attendant risks. Finally, staff stress the need to develop an integrated assetliability management framework to help guide borrowing decisions, strengthen risk management, and enhance governance of the HSF.

Maintaining consistent macroeconomic policies 12. Supporting the existing exchange arrangement calls for a significantly tighter macroeconomic policy mix. Staff recognise the authorities' commitment to the current de facto stabilised exchange rate arrangement. However, maintaining it has required large, regular FX sales that are contributing to declining reserves, while FX shortages persist, impeding nonenergy activity. Supporting the existing exchange rate arrangement therefore requires a sizeable and front-loaded fiscal consolidation (as discussed above) to facilitate external adjustment and put debt on a firmly downward path. This should be combined with moving the policy rate toward a more neutral stance and narrowing the negative US-T&T interest rate differential, to help support the exchange rate regime and stem reserve losses. Closing the interest rate differential with the United States would help make local assets more attractive and encourage capital inflows-the Central Bank of Trinidad and Tobago (CBTT) has maintained its repo rate at 3.5% since March 2020 despite the nownegative US-T&T interest rate differential. Such an adjustment would support macroeconomic stabilisation, but could weigh on growth.

13. A more flexible exchange rate would support external rebalancing with lower costs on growth. In staff's view, greater exchange rate flexibility would improve the policy mix by allowing for a more gradual fiscal consolidation (0.4% of GDP per year over the next five years), while facilitating external rebalancing by stimulating exports and reducing imports, and allowing for more countercyclical monetary policy over the medium term. Gradually moving toward a more efficient, market-clearing FX allocation system would improve the business environment and support private-sector investment and diversification.

Enhancing financial sector resilience 14. Systemic financial-sector risks remain low, although vulnerabilities are rising due to a growing sovereign-financial nexus. Financial soundness indicators show that the banking system is broadly healthy and resilient: commercial banks are well-capitalised and profitable, with low non-performing loans and adequate provisioning, even as liquidity has tightened in recent months. At the same time, the domestic financial system has become an increasingly important holder of government debt, deepening the sovereign financial nexus. While this has supported public financing needs and reduced near-term external and rollover risks, it has also heightened the financial sector's exposure to sovereign credit and interest rate risks through valuation, collateral, and funding channels.

15. The authorities continue to make strong progress in strengthening financial stability and integrity. The CBTT advanced work on Basel II/III risk disclosure rules, liquidity coverage and monitoring metrics, and revisions to insurance regulations on capital adequacy, policy liabilities, and financial conditions reporting. The National Anti-Money Laundering Committee prepared for the Caribbean Financial Action Task Force 5th round evaluation and completed Third National Risk Assessment. In 2025, the authorities enacted the Counter Proliferation Financing Act, aligning the legal and regulatory framework with global standards by strengthening the identification, assessment, and mitigation of proliferation-financing risks and enforcing targeted financial sanctions. The authorities continue to take steps to strengthen the regulatory framework for virtual assets and virtual asset service providers These measures will further enhance resilience to emerging risks, including cyber, climate, and cross-border financial crimes.

16. IMF staff commends the authorities' progress in strengthening international taxtransparency frameworks. In 2025, the authorities signed and brought into force the Convention on Mutual Administrative Assistance in Tax Matters and improved access to legal and beneficial ownership information through amendments to the Companies Act. Staff encourages continued implementation of reforms to support the country's removal from the EU of noncooperative jurisdictions in 2026.

17. Notable progress has been made in addressing Anti-Money Laundering and Counter-Financing of Terrorism challenges. The authorities have strengthened the National Anti-

Money Laundering and Counter-Financing of Terrorism Committee through capacitybuilding initiatives across key agencies. They have also enacted or introduced legislation that improves beneficial ownership

transparency, expands assetrecovery tools, and tightens controls on virtual-asset activities. Advancing structural reforms to strengthen inclusive growth and resilience 18. Trinidad and Tobago needs all engines of growth operating to build a more diversified, resilient, and inclusive economy. Oil and gas revenues have long underpinned economic development and will continue to support mediumterm growth, fiscal revenue, and export earnings. However, over the long-term, achieving both horizontal and vertical diversification will be essential to navigate the challenges of global energy-market volatility and to lay the foundations for sustainable, broad-based, and inclusive growth. Trinidad and Tobago should capitalise on its comparative advantage arising from being outside of the hurricane belt.

19. IMF staff welcome the authorities' increased emphasis on economic diversification. Guided by the Manifesto 2025 and the Revitalisation Blueprint, their agenda focuses on increasing private investment in major projects, developing agriculture and agro-processing, expanding tourism and the creative economy, promoting a knowledge-based and innovation driven economy, and strengthening Small and Medium-sized Enterprises through improved access to finance and a more supportive business environment. These efforts are complemented by broader reforms to enhance economic resilience and growth, improve governance and regulation, upgrade infrastructure, and invest in human capital.

20. Decisive steps are needed to raise labour force participation and reduce informality. High informality weighs on productivity and contributes to revenue leakage. Incentives to remain outside the formal labour market stem from generous non-contributory pensions, rigid hiring and dismissal rules, the marginal incometax structure, and administrative barriers to business registration. Reducing informality and boosting labour force participation (especially for women) will require a multi-pronged approach that includes reducing the marginal tax burden on labour, strengthening the link between social contributions and benefits, streamlining businesses registration, and improving workforce skills to support the transition to formal employment.

21. The authorities are advancing digitalisation and bolstering AI preparedness. The newly established Ministry of Public Administration and Artificial Intelligence is leading efforts to modernise government operations and harness digital and AI technologies for national development. Strengthening digital skills across the workforce, integrating AI into production processes, and supporting smooth job transitions will ensure that workers benefit from technological change and that the country can capture AI-driven productivity gains while minimising displacement risks. Enhancing the adequacy of statistics

22. Staff welcome the authorities' sustained efforts to improve the quality, timeliness, and coverage of macroeconomic statistics. Transforming the Central Statistical Office into an independent National Statistical Institute would further strengthen institutional capacity and data governance. Continued efforts are needed to preserve recent improvements in reducing balance of payments errors and omissions, enhance the timeliness of national accounts, and close remaining macrofinancial data gaps. The IMF team is grateful to the authorities and to the broad range of public and private sector counterparts for their warm hospitality, cooperation, and constructive engagement.

Minister of Works and Infrastructure Jearlean John delivers a presentation on the Government's Revitalisation Blueprint to representatives of the International Monetary Fund alongside senior officials of the Ministry of Finance .

Representatives of the International Monetary Fund (IMF) Mission headed by Ana Gusci-

Representatives of the International Monetary Fund (IMF) Mission headed by Ana Guscina, deputy chief, Caribbean Division I, Western Hemisphere Department.