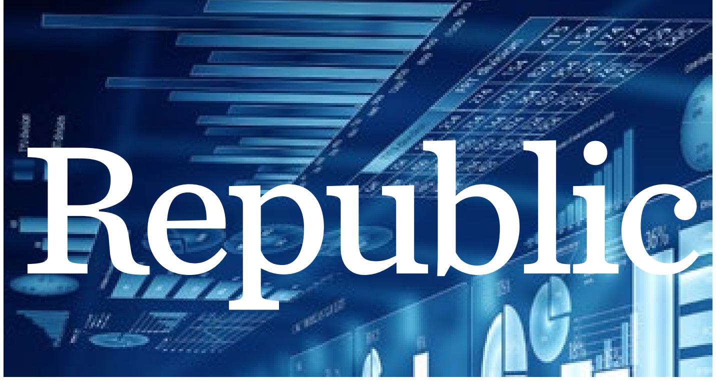

Republic Economic

NEWSLETTER

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Improved Gas Output Provides the Bulk of the Impetus

OVERVIEW

Although global oil prices weakened slightly, and the country's oil production fell in the third quarter of 2022, there were some positive developments in the domestic energy sector during the period. Increased gas production enabled the country to benefit, to a greater extent, from higher natural gas prices and spurred increased activity in key segments of the petrochemical industry, with increased LNG, Ammonia and Methanol output. With energy prices still elevated, government benefitted from a substantial increase in energy sector revenue compared to the same period a year earlier. Regarding the non-energy sector, there were some signs of slowing activity, especially in the construction sub-sector. Global supply constraints and the uncertainty surrounding the ongoing Russia-Ukraine war are still exerting considerable upward pressure on domestic prices, including food. Based on the developments that occurred in the third quarter of 2022, Republic Bank estimates that economic activity expanded slightly by 0.5 percent compared to the second quarter of this year. Unemployment is estimated to have fallen to 4.4 percent from 4.5 percent in the previous quarter. Domestic stock market activity contracted during the period, with the Composite Price Index falling by 2.8 percent to reach 1,343.2 at the end of September.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

INDICATOR	2021	2021.3	2022.3 p/e
Real GDP (% change)	-1.0	3.8	0.5
Retail Prices (% change)	2.01	1.06	1.72
Unemployment Rate (%)	5.4	5.4	4.4
Fiscal Surplus/Deficit ($M)	-10,656.3	-5,145.7	-5,447.9
Bank Deposits (% change)	-0.22	-0.65	-0.38
Private Sector Bank Credit (% change)	2.72	0.38	0.81
Net Foreign Reserves (US$M)	10,859.3	10,845	10,682.6
Exchange Rate (TT$/US$)	6.73/6.78	6.73/6.78	6.73/6.78
Stock Market Comp. Price Index	1,496.90	1,430.7	1,343.2
Oil Price (WTI) (US$ per barrel)	68.21	70.61	93.07
Gas Price (Henry Hub) (US$ per mmbtu)	3.91	4.36	7.99

Source: – Central Bank of Trinidad and Tobago, TTSE, Energy Information Administration
p – Provisional data
e – Republic Bank Limited estimate
*** – Estimate based on CBTT's Index of Economic Activity**

ENERGY

In the third quarter of 2022, the West Texas Intermediate (WTI) crude oil price averaged US$93.07 per barrel compared to US$108.93 in the preceding quarter. However, this oil price was still 31.8 percent above the average price in the third quarter of 2021. The average natural gas price increased by 6.82 percent, from US$7.48 per million British thermal units (mmBtu) in the second quarter of 2022 to US$7.99 per mmBtu. This price was 83.3 percent above the average price recorded in the third quarter of 2021. Turning to production, oil output fell by 0.34 percent from an average of 58,508 barrels per day (b/d) in the second quarter to average 58,306 b/d in the third quarter. It should be noted that this level of output was 1.3 percent lower than the recorded figure in the same quarter a year earlier. Encouragingly, gas output increased by 11.3 percent over the previous quarter to 2,874 million standard cubic feet per day (mmscf/d), representing an expansion of 21.4 percent when compared to the corresponding period in 2021. The gauges of exploration activity, rig days (125) and depth drilled (36,529 feet) increased by 29 percent and 42 percent, respectively, over second quarter 2022 figures. Third quarter rig days and depth drilled were also 6 percent and 52 percent, respectively, above the same period in the previous year.

Liquified Natural Gas (LNG) production averaged 1,644,851 cubic metres (m^3) in the third quarter. This represented a 12.7 percent increase over the previous quarter and was 58.6 percent greater than the recorded figure in the same period a year ago. Ammonia production in the third quarter of 2022 increased by 7.9 percent over the previous period but contracted by 8.9 percent on an annual basis. Methanol output grew by 20.8 percent compared to the previous quarter and was up 3.1 percent year-on-year (y-o-y). In terms of the country's quest to increase its supply of energy from environmentally sustainable sources, the recent move by Hydrogen De France (HDF) to establish a presence locally, bodes well for Trinidad and Tobago. The company aims to pursue several hydrogen projects domestically, which if successful, will support the country's green energy agenda.

NON-ENERGY

The performance of the non-energy sector was a mixed bag. There were signs that construction activity slowed, while the trade and repair sector experienced minor growth. Judging by the 7.8 percent decline in cement sales, construction activity slowed in the third quarter of 2022 compared to the previous quarter. Cement sales were also 6.1 percent below the levels of third quarter 2021. In the trade and repair sector, third quarter new vehicle sales were 13.3 percent above the previous quarter but fell 5.5 percent y-o-y. The agriculture sector was negatively affected by the incidents of flooding that occurred during the third quarter, which in part accounted for some of the inflationary pressures that existed at the time. Nevertheless, these events paled in comparison to the extensive floods that occurred in November 2022, that marooned hundreds of citizens, resulted in significant infrastructure damage and disrupted activity in many sectors in addition to agriculture. The impact of those floods will weigh heavily on economic activity in the fourth quarter and beyond. According to the Central Bank's July 2022 Economic Bulletin, the capacity utilisation in the manufacturing sector decreased markedly in the first quarter of 2022 to 60.8 percent from 66.3 percent in the fourth quarter of 2021. The largest decline was recorded in the Textiles, Clothing, Leather, Wood, Paper and Printing category (-13 percent) followed by Chemical Products (-9 percent).

FISCAL

After government's 2022/2023 National Budget estimated a fiscal deficit of $2.4 billion or 1.3 percent of GDP for the fiscal year ended September 2022, there was cause for the figure to be later twice revised, due to revenue underestimates on the government's part. In late October, just a month after the budget was delivered, the government reported that the fiscal deficit for the year was revised to $329 million or 0.2 percent of GDP. However, a month later, the Finance Minister announced that due to stronger-than-expected revenue, the outturn for the 2022 fiscal year was actually a surplus of $1.08 billion, the country's first surplus in 14 years according to the government. Total revenue for the 2022 fiscal year is now estimated at $54.2 billion as opposed to the $51.6 billion indicated in the budget.

MONETARY

After several interest rate hikes in 2022, including four consecutive 75 basis points increases (Refer to Table 1), the US Federal Reserve is expected to begin to slow its policy rate increases in the coming months, given concerns about the negative impact the rate increases could have on the US economy. With the Bank of England's policy rates also trending up, the Central Bank of Trinidad and Tobago's Monetary Policy Committee (MPC) is facing considerable external pressures. Nevertheless, the MPC decided to maintain the "Repo" rate at 3.5 percent during its last policy announcement in September 2022, as it continues to prioritise the stimulation of economic growth. The next monetary policy announcement will be on December 30, 2022. In the third quarter of 2022, average domestic food prices increased by 6.1 percent compared to the previous quarter but by 11.2 percent compared to a year earlier (Figure 1). Overall, prices increased by 2.2 percent from the second quarter of 2022, and by 6.1 percent y-o-y.

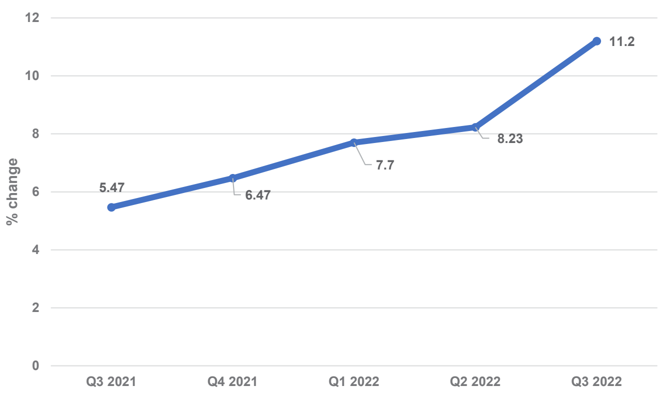
Interest rates remained stable for the third quarter of 2022, with the commercial banks' average basic prime lending rate still at 7.57 percent. Private sector credit growth in the third quarter of 2022 stood at 0.89 percent quarter-on-quarter, with the September balance of $65,904.3 million, 7.1 percent higher than a year ago. Consumer credit grew by 1.53 percent quarter-on-quarter and it was 4.88 percent above the September 2021 balance.

Table 1: 2022 Fed Rate Hikes

Date	Rate Change (bps)	Federal Funds Rate
November 2nd, 2022	+75	3.75% - 4.00%
September 21st, 2022	+75	3.00% - 3.25%
July 27th, 2022	+75	2.25% - 2.50%
June 16th, 2022	+75	1.50% - 1.75%
May 5th, 2022	+50	0.75% - 1.00%
March 17th, 2022	+25	0.25% - 0.50%

Source: Forbes

Figure 1: Trinidad and Tobago Food Inflation (% change y-o-y)

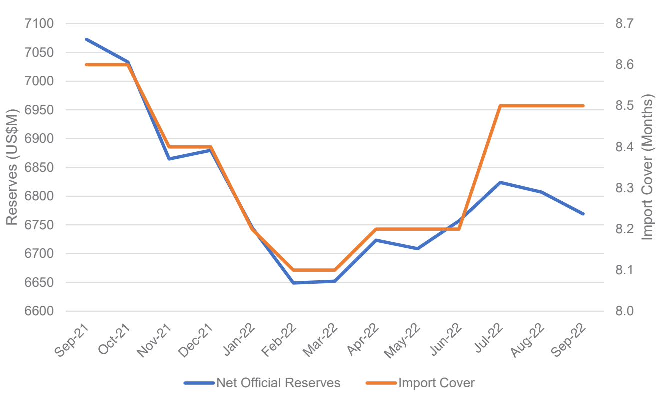


Source: CBTT

RESERVES

Net Official Reserves contracted by 4.3 percent y-o-y in September 2022 to US$6,769 million, representing 8.5 months of import cover (Refer to Figure 2). However, this was 0.2 percent higher than the level recorded in the second quarter (US$6,756.8 million or 8.2 months of import cover). In the third quarter of 2022, both the sale and purchase of foreign exchange by authorised dealers increased. Total sales by authorised dealers to the public increased by 26.9 percent y-o-y from US$1,316 million in the third quarter of 2021 to US$1,670 million in the third quarter of 2022. During the same period, the purchase of foreign currency from the public increased by 37.1 percent y-o-y compared to 52.5 percent y-o-y in the second quarter of 2022. Net sales of foreign currency fell from US$290.3 million in the third quarter of 2021 to US$264 million in the same period in 2022. The TT-US exchange rate remained at TT$6.78 per US$1.

Figure 2: Trinidad and Tobago Net Official Reserves (US$M) and Import Cover (Months)



Source: CBTT

OUTLOOK

Over the next six months, global energy prices are expected to decline. According to the US Energy Information Administration (EIA), the Henry Hub natural gas prices are projected to average US$5.82 per mmBtu and US$6.17 per mmBtu in the fourth quarter of 2022 and the first quarter of 2023, respectively. The WTI oil price is forecasted to average US$83.91 p/b and US$83.03 p/b during the same periods. However, several natural gas projects that were scheduled to commence in the first half of this year are already operational and bearing fruit. This augurs well for the domestic energy sector over the next six months.

With the full relaxation of COVID-19 related restrictions, we anticipate a boost to non-energy sector activity heading into the busy Christmas period. Some businesses have already expanded their operations heading into December, hopeful for an uptick in sales. Following two consecutive years of poor Christmas sales, some local businesses are seeking to capitalise on whatever pent-up demand there may be for both the upcoming Christmas and Carnival seasons. It is worth noting however, that this expected stimulus could be blunted by the impact of the recent widespread flooding. Although there was some ease in the constraints placed on the distribution of global commodities, the prolonged Russia-Ukraine war is still causing some uncertainty in the global market. High costs of both fuel and food are applying considerable pressure to the average consumer and are likely to subdue the demand for goods and services to some extent. This was evinced by recent reports of lower-than-expected Black Friday sales domestically.

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Progress during the 'calm'

Overview

The steady decline in the impact of COVID-19 on economic activity and life in general, over the last 12 months, was not really celebrated, because the world was too busy grappling with the ensuing challenges such as supply chain bottlenecks, production and material shortages, increases in food prices along with widespread and persistent inflation. To this metaphorical sailboat, struggling to maintain its course while facing winds from multiple directions, Russia's invasion of Ukraine and the ensuing war, brought new headwinds and intensified the pre-existing ones. Over the last six months however, the boat that was being buffeted has experienced some abatement of the winds relative to before. In this period of relative 'calm' in the midst of the storm, Caribbean countries have generally been able to make progress in their desired direction.

Anguilla

On October 4, 2022, the EU Council announced that it has decided to add Anguilla along with Bahamas, and Turks and Caicos Islands to the EU list of non-cooperative jurisdictions for tax purposes. The reason given for their inclusion is the concern that these three jurisdictions, which all have a zero or only nominal rates of corporate income tax, are attracting profits without real economic activity, among other things. The next revision of the tax blacklist is scheduled for February 2023.

In some positive developments, November 8th, saw the re-opening of Cé Blue Luxury Villas, a gated community comprising eight five-bedroom villas. The new managers have indicated that they have already begun investing in property updates, and plan to spend several million dollars in enhancements over the next several months. Anguilla welcomed 7,932 stay-over visitors in July this year, a notable improvement over the 4,884 visitors of July 2021 but still 10.4 percent below the 8,852 of the same month in 2019, the last 'normal' year for tourism. The United States is by far the territory's largest source market, accounting for 76.6 percent of the 47,882 visitors to Anguilla in the first seven months of 2022. The minister with responsibility for tourism, Haydn Hughes, is extremely optimistic about Anguilla's near-term prospects, based on feedback from US travel advisors, most of which, he says, point to the territory's 2022 performance exceeding that of 2019, with the 2023 winter season likely to be Anguilla's best ever. The 47,882 visitors to Anguilla between January and July this year, represent 74 percent of the visitors received over the same period in 2019.

Barbados

Barbados' economy continues to grow, with economic activity between July and September 2022, some 9.8 percent higher than the same period in 2021. The expansion, which continues to be driven by tourism activity and its ensuing impact on the non-traded sectors and manufacturing, contributed to Barbados' economy growing by 10.1 percent in the first nine months of 2022. The country welcomed 95,028 visitors in the third quarter to take the total for the first three quarters of 2022 to 302,863. While this figure is 42 percent below the 520,881 of 2019, it is a major rebound from the 63,224 of 2021. Arrivals continue to be dominated by the traditional source markets, led by the United Kingdom (UK) which accounted for 40 percent of Barbados' visitors, followed by the United States (31.2 percent).

Due mainly to the tourism, wholesale and retail, and construction sectors, the unemployment rate continued to decline, with the four-quarter moving average as of June 2022 at 9.3 percent, compared to 15.9 percent a year earlier. Indications are that the 12-month moving average measure of inflation which was 9.3 percent in June, declined to 7.8 percent in August. Gross international reserves, which stood at $3,008 million at the end of June, fell to $2,806 million (30 weeks import cover) at the end of September.

On October 20th, Fitch Ratings assigned Barbados a Long-Term Foreign-Currency (FC) Issuer Default Rating (IDR) of 'B' with a Stable Rating Outlook. The country was also assigned a Short-Term IDR of 'B,' a Country Ceiling of 'B' and senior unsecured debt level of 'B.' The ratings balance Barbados' high GDP per capita and governance scores, a strengthened external liquidity position, and a more favourable debt repayment profile, against its vulnerability to external shocks due to its heavy reliance on tourism, high public debt levels and limited appetite for domestic debt from local commercial banks.

British Virgin Islands

From January to August 2022, 121,423 tourists visited the British Virgin Islands (BVI), an almost fivefold increase compared to the 25,583 for the same period in 2021. The 2022 figure is, however, 45.8 percent less than the 224,185 of 2019, which indicates that the BVI's tourism sector recovery is not as far along as that of most other regional territories.

On November 29th, Premier Natalio Wheatley presented the 2023 Budget under the theme 'Resilience, Revenue, Reform and Recovery: The Virgin Islands in transition. The 399.33 million fiscal package, which goes into effect January 1, 2023, is 5 percent smaller than the $420.5 million revised expenditure of the previous budget. The 2023 budget has projected revenue of $373.03 million, with $352.64 million expected to come from tax receipts and $20.39 million from other sources. The lion's share of the budget, $73.07 million (18.3 percent) will go to the Ministry of Health. The Ministry of Communication and Works will have the second largest allocation of $62.51 million (15.65 percent) followed by the Ministry of Education, Youth Affairs, Agriculture and Fisheries with $55.7 million (13.95 percent).

Cayman Islands

During the first seven months of 2022, Cayman Islands (CI) welcomed 146,612 visitors; a significant recovery from the 5,275 visitors over the same 2021 period, when the territory had extensive COVID-19 inspired travel restrictions in place. There remains a lot of recovery still to take place however, as the 2022 figure is just 44 percent of the 332,294 arrivals in the January-July period of 2019. As in 2019, thus far in 2022, over 80 percent of the visitors (81.4 percent) came from the US. This trend seems likely to become even more set, as on November 5th, Cayman Airways began a new service from Grand Cayman to Los Angeles; the only non-stop flight between the state of California and the Caribbean.

On September 30th, it was reported that the number of employed people in the territory had grown by almost 15 percent since the census was completed less than 12 months ago. The latest Labour Force Survey also showed that the population of the Cayman Islands had increased by more than 10 percent, to reach 78,554 people. The increase was almost entirely due to overseas workers, as the Caymanian population rose by just 1 percent during the last 10 months, while the non-Caymanian population is estimated to have increased by over 25 percent.

Following the Financial Action Task Force (FATF) Plenary concluded on October 21, 2022, the Cayman Islands remains on the group's grey list. Currently, CI authorities are actively working with the FATF to address the strategic deficiencies in their anti-money laundering and anti-terrorist financing regime. However, to be removed from the grey list, the FATF requires the Cayman Islands to address its strategic deficiencies, including the prosecution of all types of money laundering cases in line with the jurisdiction's risk profile by February 2023.

Cuba

Hurricane Ian significantly impacted Cuba's cigar industry, as its passage in late September, devastated the country's tobacco growing heartland in the Pinar del Rio province where the best tobacco leaves are grown. Another key sector, tourism, soldiers on while facing varied setbacks such as the loss of Russian tourists following that country's invasion of Ukraine. The island welcomed 392,403 visitors in the third quarter and 1,074,814 over the first nine months of 2022. The 1,074,814 visitors are undoubtedly a major improvement, being almost six times the number of visitors at the same point in 2021, however it is just 32 percent of the 3,327,392 arrivals in 2019 and more importantly, it is much lower than the Cuban authorities had hoped for. In another blow, at the end of October, government's projected production of 455,000 tonnes of raw sugar in the current harvest cycle was even less than the previous one, which hit a hundred-year low and forced the country to scrap plans for $150 million in exports.

On October 11th, after a two-year hiatus, Cuba gave the green light to exchange dollars and other currencies for the local peso on a limited basis, as residents turned to an informal money market for cash. Economy Minister, Alejandro Gill, stated that the aim of the move was to close the black market. On November 14th, the Head of the country's chamber of commerce, indicated that Cuba's economy is expected to grow by 2 percent in 2022, half the official projection of 4 percent. It was stated that the estimate was based on the increase in tourism this year.

Following meetings between Cuban and US officials in Havana, the US embassy reported that Washington will resume the complete processing of immigrant visas as of January 4, 2023. Under existing immigration agreements, Washington must grant at least 20,000 visas to Cuban immigrants each year. However, according to the Cuban authorities, for the entirety of the Trump administration and for the first half of the Biden administration, only an average of 4,000 visas have been granted annually. In late November, after a meeting in Peking between the two countries' leaders, China agreed to restructure Cuba's debt and provide it with new trade and investment credits. China also donated $100 million to help Cuba cope with basic goods shortages and an energy crisis, worsened by the impact of Hurricane Ian.

Dominica

Dominica welcomed 16,172 visitors in the third quarter and 37,491 for the first nine months of 2022, with the latter figure 42 percent lower than the 64,600 of 2019. While the island's arrival numbers are smaller than those of most regional states, its visitor pool seems to be more diverse, with just 29.9 percent of its guests coming from the US and 48.8 percent categorised as 'Other'. Earlier this year, Dominica embarked on a new branding thrust for its tourism product to distinguish itself from the Dominican Republic and reinforce its identity as the Caribbean's Nature Island. One important part of this initiative is the signing of an agreement with MMC Development Ltd. for the construction of a new international airport, expected to be completed in 2025. Recent developments should help with these efforts, as in late November, Dominica was included on Lonely Planet's 'Best in Travel' list for 2023 and ranked as one of the top destinations to unwind.

Technology will no doubt play a major role in the process, since as part of establishing its own identity, on November 29th, it was announced that Dominica, had partnered with Huobi, to develop and roll out a digital identity and national token service that will help establish digital citizenship for the country's inhabitants. Together with Huobi, Dominica's government is looking to issue a Dominica Coin (DMC) and digital identity documents (DID) and will grant DMC holders digital citizenship in the country. DMC has been granted statutory status as an authorised crypto in Dominica and can be circulated locally in the country as a means of payment. Dominica DIDs will primarily be used for completing Know Your Customer (KYC) verification on cryptocurrency exchanges, opening bank accounts in Dominica, applying for loans and registering digital enterprises.

Grenada

Grenada's September stay-over arrival numbers were encouraging, with the 9,673-tally eclipsing the 8,729 of September 2019. When the preceding eight months are added, the total of 91,488 visitors was undoubtedly an improvement over 2021, however it was 26.3 percent less than the 124,168 visitors garnered in the first nine months of 2019. US citizens accounted for 60.7 percent of the arrivals thus far in 2022.

In mid-October, it was announced that Grenada successfully negotiated the settlement of US$5 million in longstanding debt owed to Libya. Unresolved debt arrears to Libya, Algeria, and Trinidad and Tobago adversely affected Grenada's credit rating, placing the country in the category of "Selected Default" or "SD." Going forward, the Government of Grenada will focus on resolving its remaining debt to Algeria and Trinidad and Tobago.

In a bold policy initiative, Grenada's Prime Minister Dickon Mitchell, disclosed that going forward, the government will focus on six priority areas in lieu of direct focus on the tourism sector. The six priority areas are health and wellness; transforming the education sector, with particular emphasis on youth and sports; agriculture, food security, and the marine economy; physical and digital infrastructure; culture and the creative economy; and energy transition and the environment. When pressed, he explained that strengthening the six priority areas will help to strengthen and transform the tourism industry. Grenada's 2023, EC$1.3 billion National Budget was presented on December 5th

Guyana

In a statement issued on September 27th, the International Monetary Fund estimates that Guyana's oil economy will double this year and could grow by 30 percent annually over the next four years. This forecast will almost certainly end up being conservative, as on October 16th, President Irfan Ali indicated that his government has invited expressions of interest (EOI) for the establishment of a 30,000 barrel per day oil refinery at Crab Island in Region Six. Also, on October 26th, ExxonMobil Corp announced that it had made two new discoveries at the Sailfin-1 and Yarrow-1 wells in the Stabroek block. The company did not however, provide any estimates on the quantities of oil and or gas the discoveries contain. Exxon and its partner Hess Corp did indicate though, that the Liza Phase 1 and Phase 2 wells, are producing above capacity and achieved an average of nearly 360,000 barrels of oil per day (bopd) in the third quarter.

The Bank of Guyana disclosed on October 18th, that the Natural Resource Fund's (NRF's) closing balance at the end of September 2022 stood at US$1,051,214,827.86. Specifically, for the third quarter, the central bank said inflows to the fund amounted to G$102.8B (US$493.18 million) comprising of profit oil – G$92.2B (US$442.12 million) and royalties – G$10.6B (US$51.06 million). As a result of an additional FPSO (floating production storage and offloading) vessel, the Liza Unity, being in operation, more lifts were made and hence, more profit oil was received compared to previous quarters. Since its inception, the bank said that the fund has received G$269.3B (US$1.3B) from 16 lifts of profit oil and G$31.9B (US$153.12 million) from royalties.

On October 19th, during a joint press conference, British High Commissioner, Jane Miller, along with Guyana's President, Dr. Irfaan Ali announced that from November 9, 2022, Guyanese will no longer require a visa to visit the United Kingdom (UK). The envoy explained however, that individuals seeking to stay in the UK for more than 180 days for the purposes of work or study would require a visa to do so. On November 20th, the Georgetown Chamber of Commerce and Industry (GCCI) met with delegates from the Africa Caribbean Business Council Private Sector, comprised of representatives from the African Export–Import Bank (Afreximbank) and other African Private Sector investors interested in partnering with locals on oil and gas, mining and the construction sector.

St. Kitts and Nevis

The Prime Minister of St. Kitts and Nevis, Dr. Terrance Drew, led a delegation on an official State Visit to the Republic of China (Taiwan) from November 7-10, 2022. Speaking in Taiwan, he stated that the strong bilateral relationship between the two countries has borne many fruits in several areas, and he indicated that his country has benefitted from technical and financial assistance, capacity building, and international advocacy. The President of Taiwan Dr. Tsai Ing–wen noted that the two countries have maintained consistent mutual support for each other over the years and continue to achieve excellent results through wide-ranging bilateral collaboration.

St. Kitts Nevis received 55,260 long-stay arrivals over the first nine months of 2022. While this represents a significant improvement over the 9,494 visitors for the same period a year ago, it is a far cry from the 95,907 arrivals of 2019. The US is the country's main source market, accounting for 67.1 percent of 2022 arrivals thus far. In November, Prime Minister Drew championed the cause of a robust and sustainable agriculture sector, stating that its development is one of the immediate goals of his administration, as it seeks to truly diversify the country's economy. On a different note, also in November, Prime Minister Drew indicated that his government is willing to engage with Bitcoin Cash mining and make the asset legal tender in St. Kitts Nevis by March 2023.

St. Lucia

St. Lucia attracted 242, 547 visitors to its shores during the first nine months of 2022, with 61.6 percent of them coming from the US, and 25.2 percent from Europe. This was undoubtedly a significant improvement from the previous year, however, it was still 18.8 percent shy of the corresponding 2019 figure of 298,723. While this indicates that the recovery still has some way to go, St. Lucia is closer to reaching pre-pandemic arrival levels than most regional states. The regularity with which this destination wins international awards may have something to do with this fact. On August 31st, at the Annual World Travel Awards Caribbean and the Americas 2022, St. Lucia was crowned the Caribbean's Leading Adventure Tourism Destination for the first time and reclaimed the title of Caribbean's Leading Honeymoon Destination. In addition to this, the country has been nominated for 5 awards at the World Travel Awards at the end of this year.

Following the conclusion of an Article IV consultation with St. Lucia officials in September, the International Monetary Fund (IMF) in its assessment, noted that while there was a significant rebound in tourism in 2021, the recovery remains incomplete as the surge in import prices and high inflation following the war in Ukraine, weigh on economic growth. Inflation is estimated to be 6.4 percent in 2022. The country's fiscal outlook is challenging due to its high public debt and large refinancing needs which lead to financing constraints.

St. Vincent and the Grenadines

The restrictions and challenges brought about by the COVID-19 pandemic and the fallout (literally and figuratively) from the eruption of the La Soufriere volcano, combined to shrink air arrivals to St. Vincent and the Grenadines (SVG) to a very low 24,230 people in 2021. Coming from this point, the 37,498 arrivals registered in the first eight months of 2022 is both significant and encouraging. Nonetheless, the recovery is by no means complete, as this year's arrivals are less than two-thirds (63.8 percent) of the 58,784 achieved in the same period in 2019. While 43.9 percent of this year's visitors, thus far, came from the US and 26.9 percent from Europe, just 8.7 percent came from Canada. Tourism officials eagerly anticipate that this will change, with the resumption of Air Canada flights from November 4th. (In 2021, Air Canada suspended flights to SVG and other destinations effective January 24th of that year). Going forward, arrivals should also be lifted by the commencement of daily flights by American Airlines from Miami to SVG in March 2023, as well as the use of larger aircrafts by Virgin Atlantic for its flights.

Following an Article IV consultation concluded on November 4th, the International Monetary Fund (IMF) estimates SVG's economy will grow by 5 percent in 2022, supported by large-scale investment projects and recoveries in tourism and agriculture. However, external inflation pressures are expected to raise the country's annual inflation rate this year to 5.8 percent.

Sint Maarten

Sint Maarten's tourism sector continues to grow strongly. Some 261,608 tourists visited the Dutch dependency during the first eight months of this year. This figure is 70 percent higher than that of 2021, but more importantly, it is also 15.6 percent greater than the 226,386 arrivals for the same period in 2019, making Sint Maarten one of the few regional territories to reach and surpass their pre-pandemic performance level. Most of Sint Maarten's visitors (6 out of 10) come from the US.

Due to the frequent and significant increases in the US federal funds rate and the consequent impact on the money market rates in the monetary union of Curacao and Sint Maarten among other things, the Central Bank of Curacao and Sint Maarten (CBCS) tightened its monetary policy stance further, by raising its pledging rate by 125 basis points to 4.75 percent, effective November 29, 2022. The pledging rate is the rate at which commercial banks can borrow at the CBCS in case of a liquidity shortage. Despite higher inflation, Sint Maarten's real GDP continued to grow, with preliminary figures pointing to economic growth of 5.1 percent for 2022, sustained primarily by the recovery of stay-over tourism. The CBCS's economic forecast for next year has been revised down, largely due to the expected economic slowdown in Sint Maarten's main trading partners, the United States and the Netherlands. Sint Maarten's economy is projected to grow by 3.3 percent in 2023.

Suriname

In early October, Suriname's President, Chan Santokhi, announced in Parliament that a citizen by investment programme (CIP) was being considered. The President stated that a special expert committee had been established to study a possible CIP, as Suriname can not only do with the money such a programme would bring in but also the possibly greater access it could present to the skills and labour needed in the coming years. October also saw the launch of a programme titled "Marketing and Branding of Micro, Small and Medium-sized Enterprises in CARICOM". The 22-month initiative, financed by the European Union (EU), the Caribbean Development Bank (CDB) and the Government of Suriname, will provide 60 micro, small and medium-sized enterprises (MSMEs) in Suriname with skills and strategies that will strengthen their export capabilities for entry to new regional markets. In mid-November, the Inter-American Development Bank provided US$150 million to help Suriname authorities overhaul the tax collection system, boost public spending oversight and efficiency, improve fiscal planning and management, and strengthen the oversight of state-owned enterprises.

On November 21st, Suriname's state-owned oil company, Staatsolie, announced the launch of a competitive bid round of six new blocks in the currently sparsely explored Demerara acreage. The blocks cover 43,956 sq. km of mostly unexplored area, with water depths ranging from 400 m to 3,500 m. Interestingly, on November 29th, in a rare disappointment, joint venture partners APA Corporation and TotalEnergies announced that they have declared the Awari exploration well, in the previously untested Northwest portion of Block 58, "uncommercial".

Region

Antigua Barbuda is one of only two regional territories whose third-quarter tourism performance bettered that of 2019. The 60,260 visitors received from July to September this year is 10 percent higher than the 54,801 of 2019. However, the 189,686 visitors for the first 9 months of 2022 was 12.6 percent lower than the 217,088 of the corresponding period three years ago. US citizens account for almost half (49.7 percent) of the visitors thus far in 2022. Following an International Monetary Fund (IMF) Article IV consultation held in St. Johns from September 20th, to October 3rd, Antigua Barbuda's economy was found to be recovering, but output remains well below pre-pandemic levels, with higher commodity prices and tighter global financing conditions weighing on economic activity.

The extreme difficulties faced by the citizens of Haiti not only persisted but became more urgent with each passing month. The Food and Agriculture Organisation (FAO) and the United Nations World Food Programme (WFP) warned on October 14th, that based on the Integrated Food Security Phase Classification index (IPC), a record 4.7 million people are currently facing acute hunger (IPC 3 and above), including 1.8 million people in Emergency phase (IPC 4) and, for the first time ever in Haiti, 19,000 people are in Catastrophe phase, phase 5. Further, more than a million children face the "triple threat" of cholera, malnutrition, and violence. In a positive development, on November 12th, gas stations opened across Haiti for the first time in two months, after a powerful gang lifted a crippling fuel blockade. The blockade had paralysed life in Haiti, forced hospitals to cut back on critical services, businesses to limit their operations and left millions of people temporarily out of work.

On October 5th, Standard and Poor's (S&P) Global Ratings affirmed Jamaica's long-term foreign and local currency issuer default rating at B+, with the outlook remaining stable. A media release from the Ministry of Finance stated that the S&P rating reflected the agency's notion that Jamaica's economy will continue to recover, with expected real gross domestic product (GDP) growth of 4 percent in 2022. The country's strong tourism recovery continued, with arrivals for the month of October 2022, expected to surpass that of October 2019. Jamaica's economy is estimated to have grown by 5.2 percent for the first nine months of 2022.

Outlook

Most of the scenarios and possibilities put forward with respect to the Russia-Ukraine war, have the conflict continuing well into 2023. If this plays out, the prospect of a return to the established trade flows and access to food, fuel and fertilisers is pushed further into the future. The war is factored into current oil prices, which have moderated somewhat from the highs of March and April. Generally, crude oil prices (Brent and WTI) are expected to be around US$9.00 lower next year. The Energy Information Administration (EIA) forecasts that crude oil (West Texas Intermediate – WTI) will average US$86.36 per barrel in 2023. The prices of food (cereals) and fertilisers have also declined in recent months, though this is due in part to negotiated agreements that facilitate the export of these commodities from the warring countries (see the Geopolitics section of the November edition of the EIU Monitor). While the war, and the actions of OPEC+ will keep prices elevated, barring major escalations or spreading of the conflict, over the next six months, the prices of food, fuel and fertilisers should be lower than in 2022, with less volatility. The near term should also see smaller and less frequent interest rate increases in developed countries as both inflation and economic activity slow.

For the region, the next six months will likely be akin to a lull, of sorts, where conditions do not necessarily improve much, but they also do not deteriorate further, and no new challenges emerge. The energy-producers will still benefit from buoyant prices, though perhaps not the level of windfall profits experienced in 2022. All the tourism-dependent countries saw significant year-on-year growth in arrivals, in a year characterised by rising fuel prices and rising inflation generally. These should not present additional challenges over the next six months as fuel prices would have already been factored in to airfare prices. With most Caribbean destinations heavily dependent on US, and to some extent European tourists, the prospect of declining arrivals from these regions if or when their economies enter recession is a real threat, but not one that will manifest itself in the near term. In the first half of 2023, all regional states therefore, have the opportunity during this 'lull' to continue growing and strengthening their key economic drivers. That they can do this in December after the Hurricane season, without having to spare any thoughts on recovering from destruction and devastation, is a win that cannot be overstated.

How the Financial Sector Can Drive Economic Transformation in the Caribbean

For all its strengths and accomplishments, the Caribbean is largely made up of nations with narrow economic bases, with most economies dependent on tourism and a few others reliant on the export of commodities. This unfortunately makes the region vulnerable to external shocks, which depending on the nature, suppress tourism demand and / or international commodity prices. These shocks normally cause significant economic hardship and occur more frequently than the Caribbean economy can bear. Against this backdrop, many regional economies face interrupted and below potential growth and find themselves burdened by unsustainable fiscal accounts. Faced with these pressures, most regional states are seeking ways to transform their economies into attractive, investment-friendly environments, driven by multiple industries, instead of an over-reliance on just one. This of course requires an appropriate policy framework that will facilitate the growth of smaller industries, the strengthening of key enabling institutions and the achievement of widespread buy-in.

Unsurprisingly, there is a major role for the financial sector to play in the region's economic transformation process. This role extends well beyond financial intermediation however, as the rapidly changing global environment requires financial institutions to increasingly act as agents of change, facilitators of training and guardians of the environment, just to name a few. This article recommends, and briefly discusses, a few areas on which the financial sector should focus, to help enhance the long-term financial viability of the Caribbean's economy.

The first area of focus should of course be seeking to directly contribute to and facilitate economic diversification in the region. In terms of its direct contribution, it is important for the sector to develop substantially more depth than is currently the case. By international standards, the regional financial market has a very low level of sophistication, dominated by banks, insurance companies and to a lesser extent, credit unions. The limited options in the sector is proving to be an inhibiting factor in the diversification process, as SMEs are finding it difficult to access the level of financing they need. Against this backdrop, banks have been facing increasing calls to substantially increase the level of finance they direct to SMEs. This however, would likely require banks to assume risks that are best managed by and suited to other types of financial institutions, such as venture capitalists. This isn't to say that banks should avoid further exposures to the SME sector, but rather, they are advised to proceed carefully. Like the diversification of the wider economy, augmenting the depth of the financial sector will by no means be a simple task, since it would likely require legislative interventions, government incentives and substantial investment.

In any case, there are opportunities for the financial sector to support the growth of small firms in other ways. One of these relates to training and education. It is common for entrepreneurs to start businesses with only the technical knowledge related to the respective sector but with little business acumen. Such deficiencies make businesses unattractive to investors and lenders, and usually condemn them to short existences. Financial institutions can facilitate the delivery of financial management training and other business-related courses to build expertise within and among SMEs. This will increase their capacity to attract capital and manage debt, enhancing their long-term viability in the process. The financial sector, particularly banks can also use their expertise across industries and regions to provide guidance and opportunities for growth to SMEs. In addition to providing support through their advisory services and credit policy, banks can create opportunities for firms to expand and develop export markets through initiatives such as conducting trade missions. It must be acknowledged though, that there are banks in the region already involved in these types of activities. For instance, Republic Bank Limited, has rolled out its Entrepreneurs Business Builder (EBB) programme which focuses on the development of women-led businesses and aims to assist established female entrepreneurs with creating profitable, technology-based and future-proof businesses. This programme does not only seek to support the region's economic diversification initiatives but is also aimed at empowering women and in so doing encouraging inclusive growth.

Caribbean countries are among the most vulnerable to the manifestations of global warming, including, rising sea levels due to melting polar ice caps and the intensification of weather phenomena such as hurricanes and drought. This is extremely worrying, when we consider how dependent the region is on the natural environment for its survival. Regional states therefore have more than enough motivation to take meaningful action to cut greenhouse gas emissions, notwithstanding their relatively small contributions to global levels. Undoubtedly, it will take considerable resources and time to transition the Caribbean economy to net-zero emissions and for this reason, the process in the region is expected to significantly lag progress in developed countries. Such a grand initiative requires the commitment of all key stakeholders, including the financial sector. It is critical for the industry to embrace its role in promoting environmentally sustainable business practices among its staff, customers and other partners. One major component of that commitment will necessarily have to be the adoption of appropriate credit and advisory policies that guide customers to environmentally friendly solutions. With rising pressure on businesses globally to include the environmental, social and governance (ESG) best practice principles in their business models, financial organisations have been increasingly reviewing their operations, including their lending policies. The objective is for banks to promote ESG values through the activities they support and to also align their operations with these guidelines. This trend is also beginning to emerge in the Caribbean. As it spreads, and financial institutions progressively reduce their financing of unsustainable business activities, firms will be forced to cater for environmental concerns in their business models, to access credit.

The Caribbean, because of its natural environment, possesses tremendous potential to develop a thriving climate tech industry. Climate tech refers to technologies that remove or reduce greenhouse gas emissions and those that allow the adaptation to a changed environment. This sector is quite broad, housing businesses from food manufacturing (e.g. Impossible Foods Inc. and Beyond Meat) to energy production (solar, wind, biofuel etc.). Because of growing global awareness regarding the effects of greenhouse gases on the climate and changing government policy, investors are increasingly adopting the mindset that there no longer needs to be a trade-off between controlling pollution and making a profit. This changing attitude is being enabled by technological advancements and reflected in global investment and financing trends. For instance, in 2021, JPMorgan Chase, America's largest bank, vowed to commit $2.5 trillion to finance sustainable investment over the next 10 years, to advance climate action and sustainable development. Closer to home, Republic Financial Holdings Limited (RFHL) has pledged to lend and invest US$200 million toward activities that reduce the impact of climate change and create environmental solutions in collaboration with its clients by 2025. Given this type of attention, many climate tech companies have experienced significant increases in their market value over the last few years, including Tesla, the electric car manufacturer whose market capitalisation expanded from $1.7 billion in 2010, when it went public, to $700 billion in 2021. In another example, Beyond Meats, experienced similar explosive growth after going public in 2019, at a valuation of $1.5 billion and subsequently saw its value shoot up to $8 billion in 2021.

To effectively support the green agenda, the regional financial sector will need to offer more innovative products and services, some of which it is currently unable to provide. This in part accounts for why the region's net-zero agenda will be some way behind that of developed countries for the foreseeable future. Globally, green bonds have been issued to the tune of hundreds of billions in recent years, while banks and other institutions support sustainable business activities with concessional and senior loans, mezzanine debt, equity and quasi-equity loans to name a few. Research is required to determine to what extent these and other options may be appropriate for the region and what new types of financial institutions the Caribbean may need to help drive sustainable development initiatives. There will also likely be a need for legislative adjustments in the various regional jurisdictions.

Finally, it's important for firms in the financial sector to develop strong corporate social responsibility (CSR) programmes. Although many organisations in the sector have a long history of activity in this regard, there may be a need for some refinement to improve their effectiveness. Modern CSR programmes are aligned with the tenets of the ESG framework and as such, will support much of what was discussed in the foregoing. However, these programmes focus heavily on the social pillar of the framework and therefore have the potential to make significant positive interventions in the lives of the vulnerable in society. The objective of CSR packages is to alleviate the burdens faced by, and create opportunities for, vulnerable groups such as the elderly, poor, disabled, women, marginalised youth etc. In so doing, they help to reduce societal ills such as poverty and crime, while also enhancing a country's growth potential. In fact, well-targeted CSR initiatives that are consistently executed can go a long way to promoting inclusive economic growth. For this reason, CSR programmes can no longer be viewed as optional, but rather as a moral obligation for businesses that can afford them. When substantial and successful action is taken to limit the number of people being left behind by society, we all benefit.

The financial sector certainly has a critical role to play in the Caribbean's economic transformation process. However, it would be a grave mistake for the industry or key stakeholders to view its part only within the narrow confines of financial intermediation. For various reasons, including tight fiscal resources and the unique characteristics of the region, financial institutions may find that they are being increasingly required to attend to more needs outside of their traditional function. This includes, but is not limited to training entrepreneurs, playing a more active role in protecting the environment and taking more deliberate action to promote inclusive economic growth. The quicker these institutions embrace these new roles, the better it will be for the Caribbean.