

# Caribbean Region Quarterly Bulletin



2019:IV

A Look at 2019 and Beyond  
Volume 8, Issue 4 | December 2019



Dear Reader:

Welcome to the December 2019 issue of the Caribbean Region Quarterly Bulletin.

Ten years after the global financial crisis, some Caribbean countries are still reeling from its effects. The income per capita in several countries is still below the level it was in 2007. On the other hand, the recovery is progressing, though from a low base, with growth levels in 2019 and 2020 projected to accelerate. The weak performance overall has important implications for fiscal targets, debt levels, employment, and the general satisfaction of the population.

Experiences in 2019 varied, including for economic growth. While the economic situation is visibly improving in some countries, others are still struggling, and reforms need to be accelerated in order to facilitate growth and create employment while building buffers against an eventual worsening of international conditions or weather-related shocks.

With this backdrop in mind, this new issue of the Caribbean Region Quarterly Bulletin summarizes recent developments in the region and provides an outlook for 2019.

**The Year 2019 in Review**

The divergence in the development of the countries that correspond to the Inter-American Development Bank’s Caribbean Country Department and the Organisation of Eastern Caribbean States (OECS) continued into 2019. While The Bahamas, Barbados, and Jamaica have benefited from strong world demand and still low commodity prices, they are also each dealing with fiscal challenges resulting from high debt-to-GDP ratios and related vulnerabilities. The situation in Barbados required immediate attention, and the authorities signed a four-year Extended Fund Facility supported by the International Monetary Fund. At the same time, Suriname and Trinidad and Tobago are still recovering from the fall in commodity prices, with both countries barely exiting recessions. Guyana is an outlier in the region. Based on strong gold prices and the prospect of income and revenue from oil extraction scheduled for 2020, the country is experiencing strong economic growth, partly caused by fiscal expansion. The situation in the OECS countries is similar – while rebuilding from the 2017 hurricanes is ongoing in some countries, others have made important progress on their fiscal reform agenda.

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**Contributors:** David Rosenblatt and Juan Pedro Schmid

**Overview**

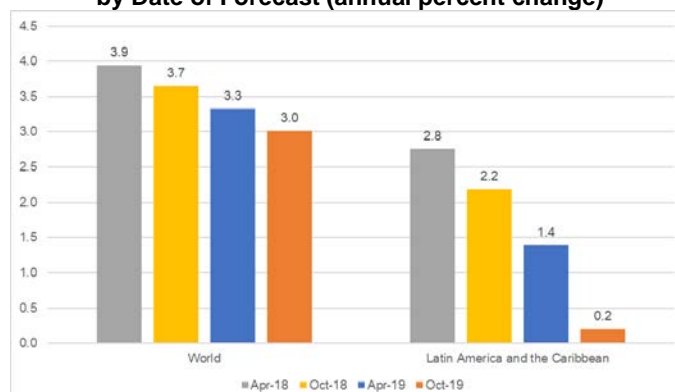
**The expansion of the global economy is slowing.** Given the 3.8 percent growth rate for the world economy in 2017 and similar expectations for 2018, the International Monetary Fund (IMF) stated in its October 2018 *World Economic Outlook* that the world economy is in a “cyclical upswing,” but also warned that for most countries, current favorable growth rates would not last. That forecast has proven to be correct, even though the speed at which the world economy has slowed – reflected in the forecast revisions – has come as a surprise.

**Forecast revisions are generally modest for the Caribbean IDB member countries (CCB).** The Bahamas is the main exception, mostly as a result of the damage from Hurricane Dorian in September 2019. The Bahamas’ GDP growth for 2019 has been cut to 0.9 percent and the economy is projected to contract in 2020. In addition, growth in Jamaica has been revised downward to around 1 percent for 2019 and 2020.

**The Global Context**

**The world economy has continued its expansion, albeit at a slower pace.** Estimates of global growth have weakened compared to last year. In the October 2019 *World Economic Outlook*, the IMF predicts world growth of 3 percent in 2019, the fourth downward reduction in a row (see left half of Figure 1) and the lowest level since the global financial crisis. The revisions vary by region and country, but they are pronounced for Latin America and the Caribbean, LAC. Due to idiosyncratic factors in some of the main economies of the region, growth is expected to be 0.2 percent in 2019, a further downward revision from the 1.4 percent forecast by the IMF in April 2019 (see right half of Figure 1). The slowdown is a further deceleration from the already low 1 percent level in 2018.

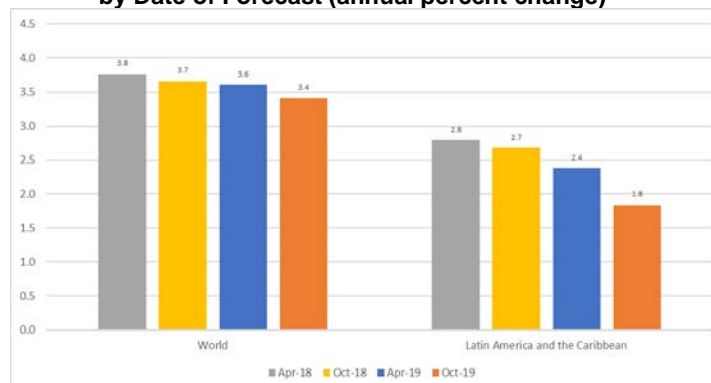
**Figure 1. Economic Growth Forecasts for 2019 by Date of Forecast (annual percent change)**



Sources: International Monetary Fund, April 2018, October 2018, April 2019, and October 2019 *World Economic Outlook*.

**Growth in some key markets during the year has been below last year’s forecast.** While an acceleration towards 2020 is expected, risks have also increased. The forecasts also indicate that the IMF expects global growth to have plateaued in 2017. The IMF outlines several reasons for the downward revisions, including a substantial weakening of activity in manufacturing and a drop in business confidence. Trade and geopolitical tensions have led to slack investment demand and anemic global trade growth. The IMF forecasts a slight acceleration of growth for 2020 (Figure 2), but the outlook remains precarious and risks are skewed to the downside. Also, the recent revisions of forecasts highlight the difficulty in making forecasts in the first place.

**Figure 2. Economic Growth Forecasts for 2020 by Date of Forecast (annual percent change)**



Sources: International Monetary Fund, April 2018, October 2018, April 2019, and October 2019 *World Economic Outlook*.

**Caribbean Performance and Outlook**

**In general, the macroeconomic situation in the Caribbean continues to be stable.** While average developments are encouraging, however, there continues to be highly divergent development in the various countries. According to recent estimates, average growth for the countries that constitute the IDB’s Caribbean Department decreased slightly from 1.5 percent in 2018 to 1.4 percent in 2019. For 2020, average growth of around 1 percent is expected (excluding Guyana, where growth is projected at over 80 percent in 2020).

**Divergence in growth has increased.** While the average projection for 2019 has improved, trends in the different countries vary considerably. Suriname has emerged from a strong recession, while recent progress in The Bahamas has been undone by Hurricane Dorian. Despite several years of successful economic reforms, Jamaica’s growth continues to be weak. Growth also remains weak in Barbados even though the country is progressing with its IMF-supported adjustment program. In terms of economic growth, the situation remains unclear in Trinidad and Tobago, where different institutions offer different growth estimates.

**Debt levels continue to be a concern.** While the boom in Guyana and progress with fiscal consolidation programs in Barbados and Jamaica are driving down average debt levels for the region as a whole, debt-to-GDP ratio levels are projected to increase in the coming years in The Bahamas, Suriname, and Trinidad and Tobago. While average debt is estimated at 75.2 percent of GDP as of end-2019, it varies widely between the different countries: Trinidad and Tobago (49.7 percent), Guyana (55.5 percent), The Bahamas (61.5 percent), Suriname (75.6 percent), Jamaica (93.5 percent), and Barbados (115.4 percent).

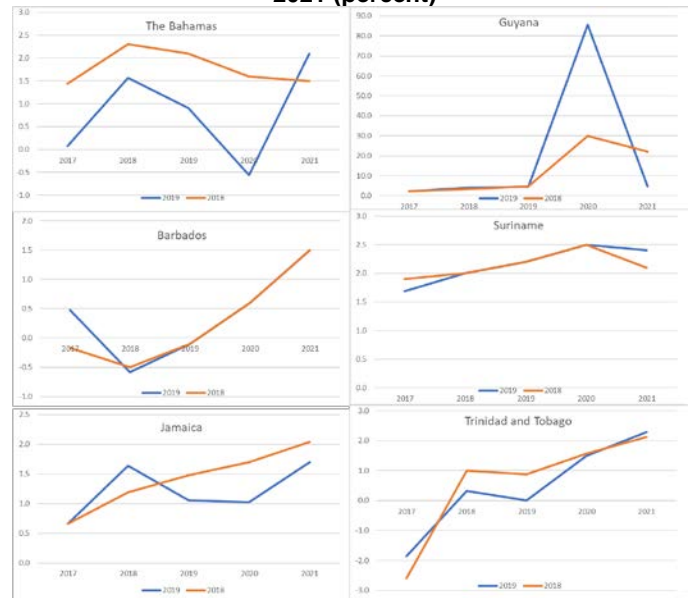
**In line with the world economy, projections for the Caribbean for 2019 have generally been revised downward.** Figure 3 compares the 2018 and 2019 real GDP growth forecasts by country. The change is most dramatic for The Bahamas, where the economy has slowed markedly due to Hurricane Dorian. Expectations are now for growth of 0.9 percent in 2019 and -0.6 percent in 2020. Forecasts have also been revised downward for Jamaica based on lower-than-expected mining output. Relatively large differences in the projections are also seen for Trinidad and Tobago and Guyana (to the upside), while the medium-term outlooks for Suriname and Barbados remain similar. Growth remains weak in Barbados, which just passed the second review of its IMF-supported adjustment program. However, medium-term projections for the country are substantially higher than they would be in the absence of the fiscal adjustment program.

**Improvements in economic activity are expected.** Despite the weaker outlook, Figure 3 also indicates that projections are for an acceleration of economic activity. Guyana is an extreme case, as the start of oil extraction in 2020 is expected to bring an 80 percent jump in GDP. Excluding Guyana, the IMF estimates average growth will increase from 1.2 percent in 2019 to 1.6 percent in 2020. The average primary fiscal balance as a percentage of GDP of these five countries (The Bahamas, Barbados, Jamaica, Suriname, and Trinidad and Tobago) is projected to increase from 1.2 percent in 2019 to 1.5 percent in 2020. It is also expected that debt and the current account of the balance of payments (both as a percentage of GDP) will improve or at least stabilize. However, considerable differences are emerging in terms of policy, as fiscal efforts are stronger in tourism-dependent countries (The Bahamas, Barbados, and Jamaica).

**The medium-term outlook remains subdued but positive.** Predictions for 2020–2023 growth are above the 2007–2018 averages for all of the Caribbean countries analyzed here. Excluding Guyana, the IMF forecasts an average growth rate of 1 percent for the

Caribbean countries during 2020–2023, well above the average rate (0.1 percent) over 2007–2018.

**Figure 3. Forecasts for Real GDP Growth by Country, 2017–2021 (percent)**



Source: The figure compares the October 2018 and 2019 forecasts for 2019–2021 in the International Monetary Fund's *World Economic Outlook*.

**Several risks to the outlook persist.** Risks include the ever-present possibility of natural disasters, especially hurricane risks in The Bahamas and Jamaica. In the coming year, the risk of a global recession has increased. This could lead to commodity price declines for regional commodity exporters and a decline in tourism arrivals for the tourism-dependent countries. In addition, reform fatigue could hamper efforts at fiscal consolidation, and financing costs could increase for emerging markets if global developments lead to financial market turbulence.

### Policy Outlook

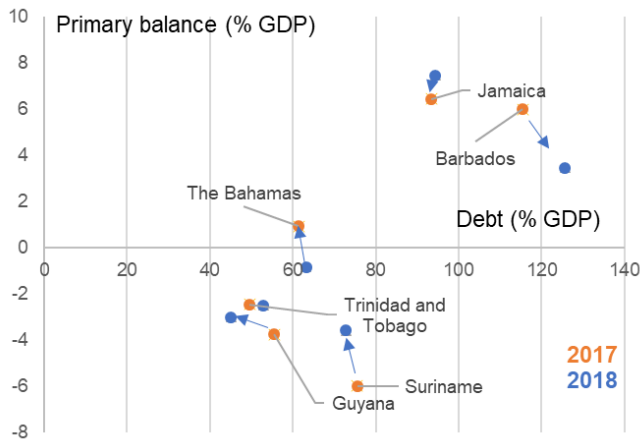
**Countries in the Caribbean region are susceptible to shocks.** All countries are small, open economies with limited domestic markets, and they depend on the economic performance of trading partners. Markets for the tourism countries are concentrated in the United States, Canada, and the United Kingdom (the latter especially for Barbados). Conversely, the commodity producers depend on international commodity prices, including those for oil, gold, and alumina.

**The impact of climate change and natural disasters magnifies macroeconomic problems in the region.** The small size of the countries and their location in the hurricane belt also makes them more vulnerable to weather-related shocks, which could occur more frequently as a result of climate change. Climate change and the related sea-level rises also threaten the coastal

areas where the population and economic assets of the Caribbean countries are all concentrated.

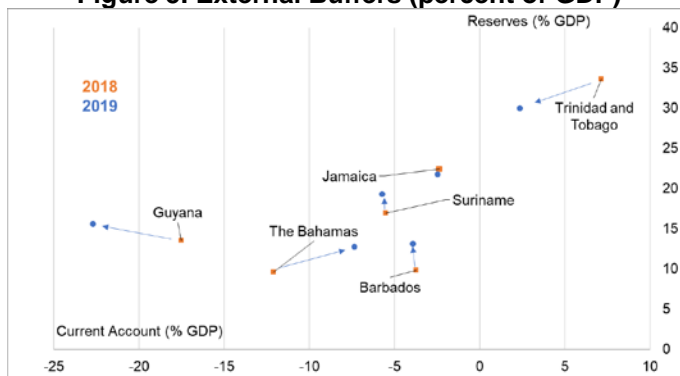
**Buffers to absorb shocks remain insufficient.** Fiscal buffers – the level of the primary fiscal balance and the current level of debt – are improving because of the fiscal consolidation measures discussed above and illustrated in Figure 4. Two countries are projected to achieve positive primary balances in 2019 – Barbados and Jamaica – even though they also have very high levels of debt. (Hurricane Dorian delayed the fiscal adjustment in The Bahamas.) The current fiscal stance is around the level that stabilizes the debt-to-GDP ratio in the other countries, implying that an economic shock that affects the fiscal position would lead to rapid debt increases.

Figure 4. Fiscal Buffers (percent of GDP)



Source: International Monetary Fund, October 2019 *World Economic Outlook*.

Figure 5. External Buffers (percent of GDP)



Source: International Monetary Fund, October 2019 *World Economic Outlook*.

**External buffers are usually adequate, but countries with fixed exchange rates benefit from higher levels of reserves.** Low current account balances and high international reserves protect countries from external shocks. Reserves are in general adequate in the Caribbean countries (Figure 5), including in Barbados, which has experienced strong increases as part of its

stabilization program. However, all countries other than Jamaica have a fixed (or managed float) exchange rate and would thus benefit from larger buffers. In terms of the current account, oil importers have benefited from low oil prices, but pressure could increase, as oil prices can be volatile.

**Conclusion**

**Following the recent strong performance of the world economy, forecasts are less optimistic going forward.** In addition, downside risks have increased and the likelihood of better-than-expected performance has declined.

**Overall, while the economic outlook in the Caribbean remains positive, the region remains vulnerable.** The U.S. economy is slowing, and it remains the main market for goods exports and tourism for the region. A recovery in commodity prices is helping the commodity-based economies stabilize. However, vulnerabilities exist and could be magnified by external shocks.

**Projections are for slow but steady progress in the Caribbean.** The region is still feeling the effects of the 2008–2009 global financial crisis, with income per capita still below 2007 levels in several countries. At the same time, economic performance has in general improved and the outlook remains positive.

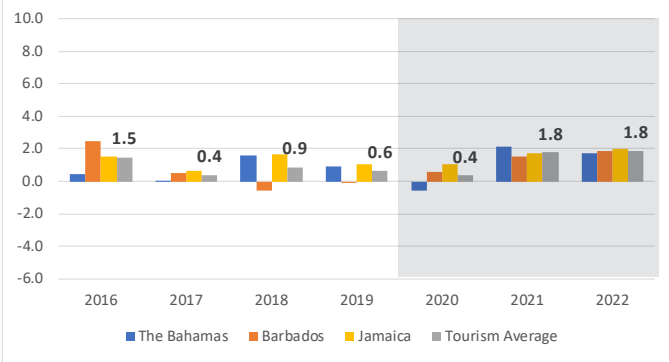
**The conducive economic environment should be used to build up buffers.** The three tourism-dependent countries in the region (The Bahamas, Barbados, and Jamaica) have made important efforts to improve their fiscal positions – even though Hurricane Dorian has undone some of the progress in The Bahamas – and are lowering debt and providing fiscal space to react to potential shocks. Buffers have also improved in Trinidad and Tobago, but more should be done to be able to react to changing environments and potential shocks.

**Mitigating the impact of climate change and natural disasters is of existential importance.** The natural vulnerability of the Caribbean countries to weather-related shocks, which are likely to occur with greater frequency as a result of climate change, imposes a heavy burden on the region. Climate change and related sea-level rises are an existential threat, as they affect the coastal areas where the population and economic assets of the Caribbean countries are all concentrated. While more action is needed, adoption has started, including in the areas of disaster risk management, resilience, insurance, and risk-sharing.

**The remainder of this Quarterly Bulletin discusses economic developments and outlooks for each Caribbean country.**

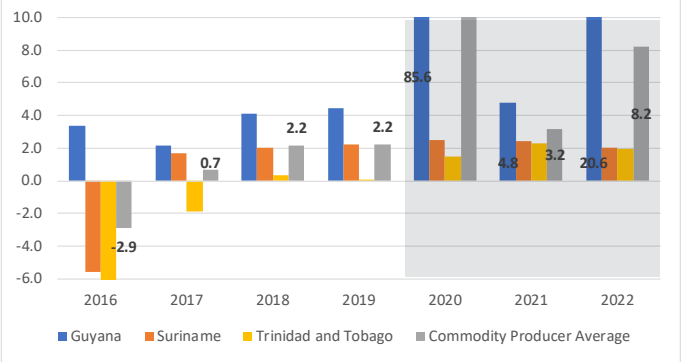
**Growth is recovering...**

Figure A. Economic Growth in Tourism Countries



**... and projected to jump in Guyana.**

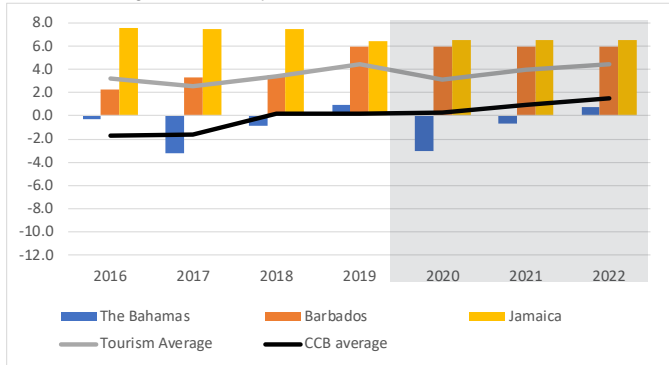
Figure B. Economic Growth in Commodity Producer Countries



Notes: Guyana growth for 2020 and 2022 at 85.6 and 20.63 percent.

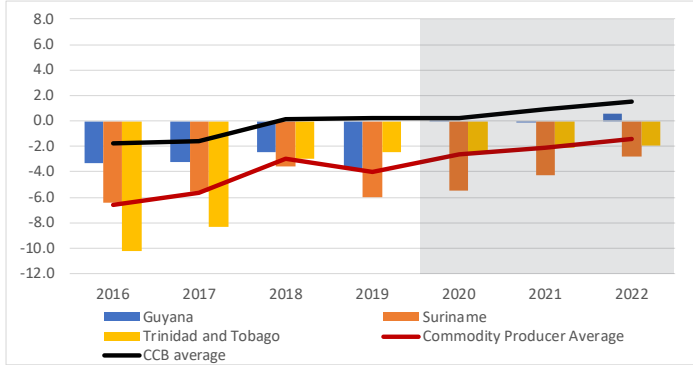
**While the fiscal adjustment is evident...**

Figure C. Primary Fiscal Balance in Tourism Countries



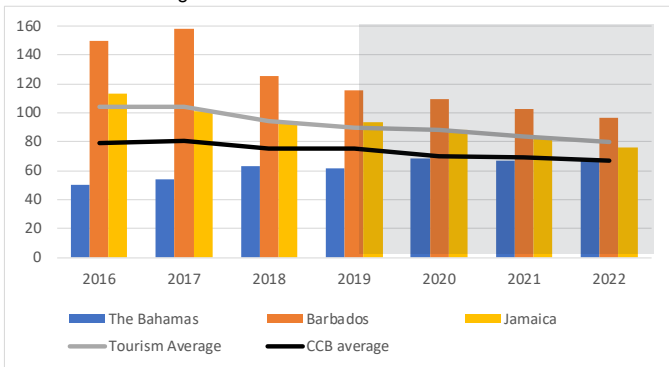
**... commodity producers are lagging.**

Figure D. Primary Fiscal Balance in Commodity Producer Countries



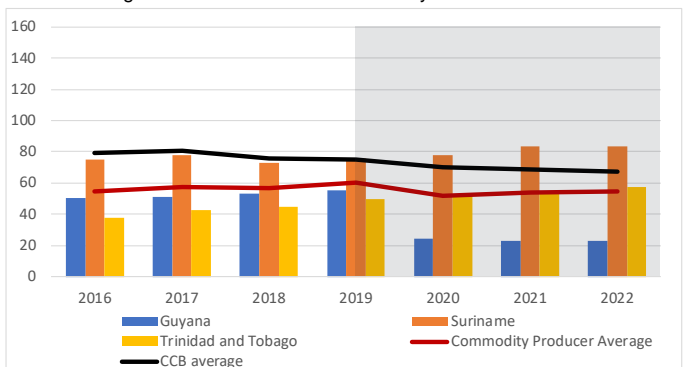
**As a result, debt is decreasing but at different speeds...**

Figure E. Debt-to-GDP in Tourism Countries



**... and might not stabilize in Suriname and Trinidad and Tobago.**

Figure F. Debt-to-GDP in Commodity Producer Countries



Source: International Monetary Fund, April 2019 *World Economic Outlook*.

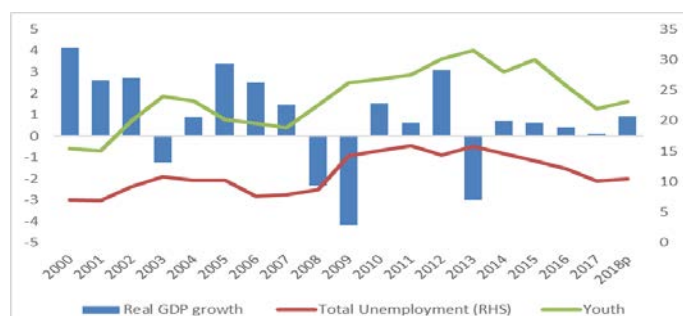
# THE BAHAMAS HURRICANE DORIAN

Contributor: Allan Wright

## Overview

**Hurricane Dorian, the Category 5 storm that devastated The Bahamas in September 2019, significantly affected the country's growth.** Expansion of the gross domestic product (GDP) is expected to be just 0.9 percent in 2019, a decline from 1.6 percent in 2018 (Figure 1). The brunt of the storm's economic fallout is expected to be felt next year, with the International Monetary Fund (IMF) forecasting that the Bahamian economy will shrink by 0.6 percent in 2020. Reinsurance inflows and construction activities associated with post-Dorian restoration may mitigate these figures, and The Bahamas is expected to resume economic growth in 2021 as rebuilding gathers pace.

**Figure 1. Real GDP Growth and Employment (percent)**



Sources: International Monetary Fund, October 2019 *World Economic Outlook*; and The Bahamas Department of Statistics, Statistical Data for 2012–2018.

## Recent Developments

**Hurricane Dorian left behind immense damage in its wake.** The storm devastated the island of Abaco, and some parts of Grand Bahama also experienced damage. The initial damage assessment by the Economic Commission for Latin America and the Caribbean (ECLAC) estimates damage and losses from Dorian at between US\$3.1 billion and US\$3.4 billion, of which 90 percent took place in the Abacos, where the storm stalled for two days. Projections suggest that the private sector will bear 90 percent of the cost. By comparison, damages and losses caused by Hurricanes Joaquin (2015), Matthew (2016), and Irma (2017) – all Category 4 and 5 storms – totalled US\$1.2 billion.

**The central government fiscal deficit is expected to reach 5.9 percent of GDP** for the fiscal year ending in June 2020, up from 1.8 percent of GDP in FY2019, due to post-hurricane clean-up and reconstruction spending, temporary tax relief, and disruptions in revenue collection. The central government debt-to-GDP ratio is expected to increase to 66 percent of GDP in FY2020. Central

## Highlights

- Hurricane Dorian significantly affected economic growth in The Bahamas.
- The initial damage assessment by ECLAC estimates costs of between US\$3.1 billion and US\$3.4 billion.
- The central government fiscal deficit is expected to reach 5.9 percent of GDP.
- The government intends to achieve at least a 50 percent improvement in its fiscal position by 2022.
- Returns from the tourism sector provide early indications that the nation's GDP will still expand in 2019.

government and publicly guaranteed debt, inclusive of contingent liabilities, is projected to increase to over 70 percent of GDP.

**The primary fiscal balance is expected to decline.** The primary balance in FY2019/2020 is estimated to be -2.9 percent of GDP, a significant deterioration from 0.9 percent in the previous period. The primary balance is projected to improve over the medium term to reach a surplus (0.7 percent of GDP) by FY2022, according to the IMF.

**The government intends to achieve at least a 50 percent improvement in its fiscal position by 2022 through a combination of approaches such as program rationalization, administrative policy adjustments, enhanced tax collection, project deferrals, and improvements in the procurement process.** More medium-term spending control initiatives under consideration include the use of public-private partnerships and efficiency gains in state-owned enterprises. It is projected that the central government fiscal deficit will be 2.1 percent of GDP by June 2022.

**Unemployment is expected to rise to 13.5 percent for the remainder of 2019 through 2020.** This short-term setback is related to the severity of the destruction to the Abaco tourism and business infrastructure, as well as Grand Bahama, though to a lesser extent. Unemployment from Abaco's loss will be felt most in the vacation rental market, as the island accounted for 17.5 percent of listed bookings during the eight months up to end-August 2019 prior to the hurricane. Abaco and Grand Bahama together accounted for 25.6 percent of all bookings in that market segment before Dorian, according to reports by Moody's and the *Nassau Guardian* October/November 2019.

**Domestic prices remain high.** Inflation for 2019 is estimated projected at 2.8 percent, higher by 0.8 percent than the previous year. Price developments continue to

## THE BAHAMAS HURRICANE DORIAN

be dominated by post-hurricane demand and the hike in the value-added tax (VAT) rate.

**It is estimated that the deficit on the current account will be 12.8 percent of GDP by the end of FY2020.**

Reinsurance inflows are likely to foster the country's net international reserve position in the next several months. It is estimated that external reserves will stand at 3.7 months of goods and services imports at the end of 2019.

**Reinsurance inflows and construction activities associated with post-Dorian recovery will mitigate the impact of the hurricane on growth.**

The cruise business to Grand Bahama has been restored and the island is now receiving cruise passengers at new sites. The return of this business, as well as day cruise passengers, bodes well for the recovery in Grand Bahama. The reconfirmation of investment projects at the new cruise port and hotels should provide some stabilization by year-end. The Abaco will present more of a challenge due to the severity of damage to the economic infrastructure. That said, reinvestment in these businesses from insurance provisions, temporary tax relief,<sup>1</sup> and private sector investment will provide some support. The fall-off from Nassau arrivals has already stabilized, as reported by Moody's and the *Nassau Guardian* in October/November 2019).

**Returns from the tourism sector provide early indications that GDP will still expand in 2019 – albeit at a slower pace than the previous year's rate of 1.8 percent – as winter season tourism gains for the first nine months of the year were already in prior to the hurricane.** Tourism showed a 14.6 percent improvement in air arrivals, contributing to a 13.2 percent overall increase from July 2018 to July 2019.

**The Baha Mar resort project is set to launch a \$300 million phase of development that will provide jobs for up to 500 people and involve a major water park and entertainment amenity known as Baha Mar Bay.**

An agreement between resort representatives and the government was signed at the Cabinet Office in late October 2019. The move will bring Baha Mar's total investment up to \$4.8 billion. The investment will include significant renovations and enhancements to the Melia Nassau Beach Resort, beachfront adventure experiences for guests, and developments to Long Cay, all of which are expected to be completed within the next 12 to 24 months (*Nassau Guardian*, October/November 2019).

<sup>1</sup> Grand Bahama, Abaco, and the Abaco Cays will become tax free zones for at least one year to aid in Hurricane Dorian restoration and recovery efforts (*Nassau Guardian* report, November 2019).

**The Bahamas continues to lag most Caribbean peers on the World Bank's Doing Business Indicators.** This is mainly due to onerous administrative processes, high costs of trading across borders, problems with property registration, and limited access to credit. These factors constrain private investment and growth.

**Accession by The Bahamas to the World Trade Organization (WTO) is unlikely.** It remains doubtful the government will proceed with WTO accession in this current term. Rising concern from the local retail sector has resulted in the government hesitating to take this step. Joining the WTO and signing on to the Economic Partnership Agreement would usher in reforms to competition laws while improving compliance with international best practices in trade (*Eye Witness News* reports, October 2019).

### Economic Outlook

**Medium-term growth rates for 2021–2024 are projected to improve, after a period of decline in 2020.** The Baha Mar Casino and Hotel project, along with other private capital projects of varying sizes, will provide further support to real sector growth and help to curb unemployment. Policy interventions to counteract the structural challenges facing overall growth in The Bahamas must be multifaceted and interlinked to move the growth path of the economy to a higher trajectory beyond its current medium-term path.

**The central government fiscal deficit for the FY2019/2020 ending June 2020 is expected to be 5.9 percent of GDP, higher than in the previous fiscal year. This is because post-hurricane clean-up and reconstruction spending, temporary tax relief, and disruptions in revenue collection will impact fiscal outcomes.** Central government debt levels will be approximately 66 percent, and it is estimated that the primary balance will be -2.9 percent of GDP at the end of the fiscal year. Additional fiscal strengthening efforts are needed in the aftermath of the hurricane to better align targeted efforts with current revenue and expenditure cycles.

**The Bahamas' debt ratio is projected to rise as a result of rebuilding and reconstruction costs.** The baseline assumes the level to peak at over 70 percent in FY2020 before declining after FY2022. However, the forecast includes important downside risks over the next two to three years, including a lackluster tourism recovery, delays to the comprehensive opening of private capital projects, and more modest than projected fiscal consolidation, particularly on the expenditure side. Upside risks include the materialization of the government's projected pipeline of tourism-related projects and respective private capital inflows.





## THE BAHAMAS HURRICANE DORIAN

**Buoyed by the receipt of net proceeds from reinsurance inflows and higher tourism receipts, external reserves grew over the review period as the level of reserves is a key tool in the monetary policy framework and for maintaining the exchange rate peg.** The projected estimate for the end-2019 of \$1,615 million is linked to continued improvement in the tourism sector from further expansion of the Baha Mar mega-resort, investment in other private capital projects, and reinsurance inflows.

**Before Hurricane Dorian, the fiscal situation in The Bahamas had improved, but challenges remain.**

Revenues have increased in recent years because of the implementation of the VAT, which has helped to reduce the deficit in the short run. Tax administration has been poor historically, though some major structural reforms are underway. Whether these reforms will bolster the tax administration's ability to fulfill its duties remains to be seen. Expenditure is projected to move upward in FY2019/2020 by roughly 14 percent, led by post-hurricane clean-up and reconstruction spending, higher payments on debt, and increased allocations to a few state-owned enterprises. During this same period, central government debt will increase by almost 4 percent of GDP, in part due to increased domestic borrowing to help finance rebuilding activities.

### Policy Outlook

**Prior to Hurricane Dorian, The Bahamas had started important reforms of its fiscal framework to better align targeted efforts with current revenue and expenditure cycles.** Plans to increase reliance on ex-ante insurance and mitigation policies against the risk of natural disasters will also strengthen fiscal and economic resilience. However, information is still lacking on the quality and provision of public administration,<sup>2</sup> state-owned enterprises, and economic and social infrastructure. Developing a knowledge base regarding this information should be considered a priority to help effectively tackle expenditure reforms.

**There are downside risks to the economic outlook in The Bahamas.** Weaker-than-projected U.S. growth or tourism activity would lead to lower economic activity. A tightening of global financial conditions, or the occurrence of natural disasters, could lead to lower-than-projected foreign investment inflows and are additional near- and medium-term risks. On the domestic side, failure to

implement fiscal consolidation or structural reforms could undermine investor confidence, severely impair the outlook, and reduce projected foreign investment flows. Fiscal consolidation efforts focused on reducing current expenditure will be critical to maintain market confidence and ensure fiscal sustainability. Addressing long-standing structural bottlenecks is critical to lifting medium-term growth.

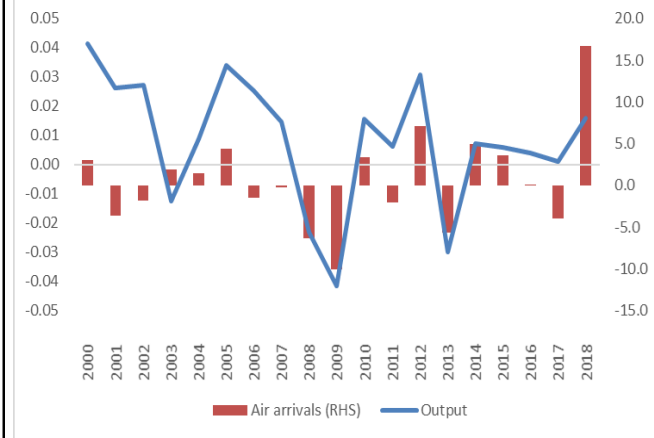
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<sup>2</sup> Strengthening of real sector and state-owned enterprise data is expected by FY2018, with the government moving to the accrual basis of accounting before FY2022.

# THE BAHAMAS SNAPSHOT OF THE ECONOMY

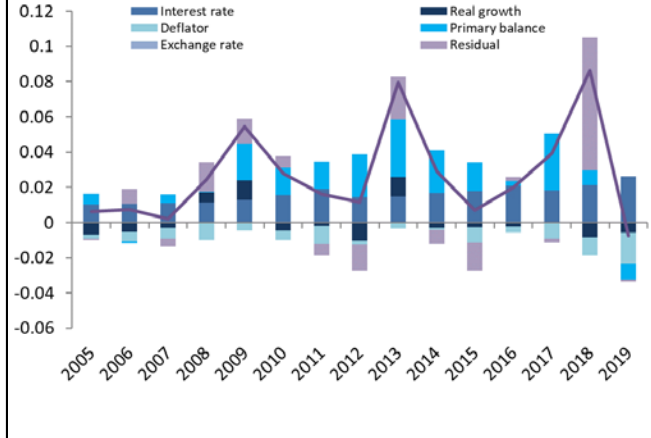
*Tourist arrivals are recovering.*

**Figure A. Air Arrivals and Real GDP Output (percent)**



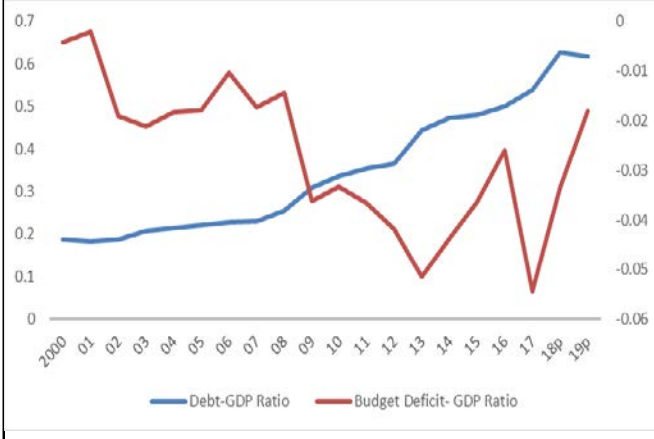
*Debt repayment obligations are driving debt levels.*

**Figure B. Drivers of Debt (percent)**



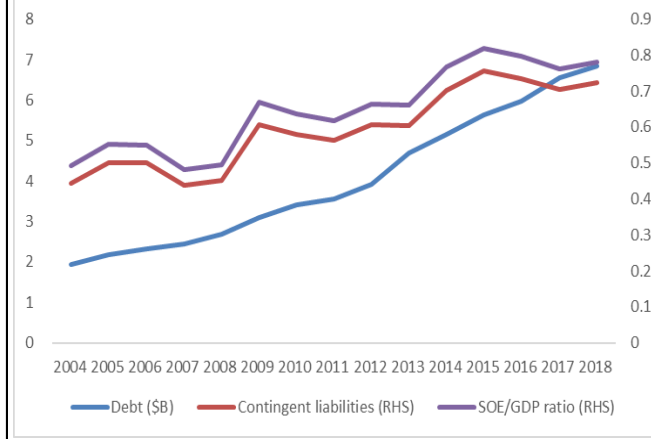
*Fiscal Space is improving.*

**Figure C. Fiscal space (percent)**



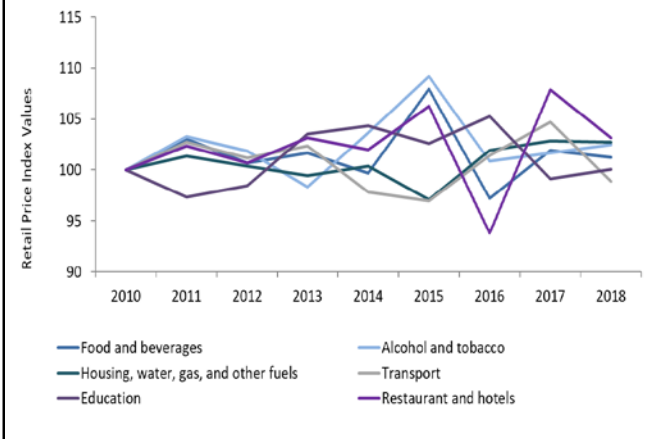
*State-owned enterprises (SOEs) pose an excessive burden on the fiscal position.*

**Figure D. State-Owned Enterprises (percent)**



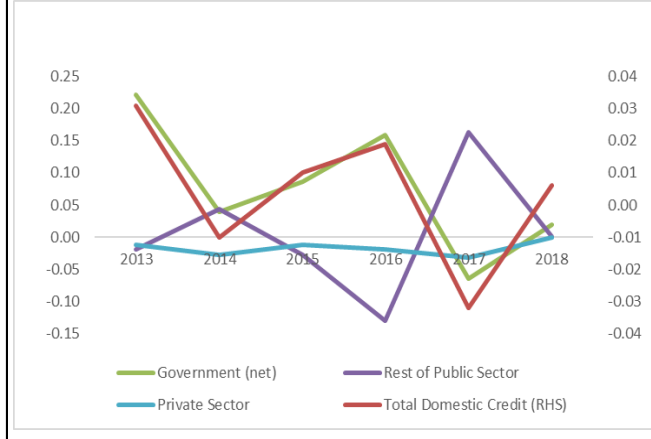
*Price developments dominated by post-Dorian developments.*

**Figure E. Retail Price Index Values**



*Anemic private sector credit growth remains a lasting concern.*

**Figure F. Credit (percent)**



Sources: International Monetary Fund, October 2019 *World Economic Outlook* and Article IV 2019 Report; Central Bank of The Bahamas; and the The Bahamas Department of Statistics. Note: p: projected.

**THE BAHAMAS**
**Table 1: Selected Economic Indicators for The Bahamas, 2015-2020**

| <b>Social and Demographic Indicators (most recent year)</b> |                |                              |                |                |                |                |
|---|----------------|------------------------------|----------------|----------------|----------------|----------------|
| GDP (millions of US\$), 2016                                | 11,938         | Adult literacy               |                |                |                | 95.6           |
| Per capita GDP (2016, US. dollars)                          | 32,440         | Poverty rate (percent), 2014 |                |                |                | 12.8           |
| Life expectancy at birth in years (2015)                    | 75.6           | Population (thousands), 2016 |                |                |                | 368            |
| Human development Index (rank), 2016                        | 58             | Unemployment rate (May 2019) |                |                |                | 9.5            |
| <b>Economic Indicators</b>                                  |                |                              |                |                |                |                |
|   | 2015           | 2016                         | 2017           | 2018           | 2019p          | 2020p          |
| (Annual percentage change, unless otherwise indicated)      |                |                              |                |                |                |                |
| <b>Real Sector</b>  |                |                              |                |                |                |                |
| Real GDP (% change)   | 0.6            | 0.4                          | 0.1            | 1.6            | 0.9            | -0.6           |
| Nominal GDP(% change)                                       | 7.7            | 1.6                          | 1.8            | 2.3            | 1.9            | 1.2            |
| Inflation (end of period)                                   | 2.0            | 0.8                          | 1.8            | 2.0            | 2.8            | 2.4            |
| Unemployment  | 13.4           | 12.2                         | 10.1           | 10.4           | 13.5           | 13.2           |
| (In percent of GDP, unless otherwise stated)                |                |                              |                |                |                |                |
| <b>External Sector</b>                                      |                |                              |                |                |                |                |
| Exports of goods and services                               | 35.1           | 35.5                         | 33.7           | 35.3           | 36.4           | 37.9           |
| Imports of goods and services                               | 38.8           | 37.4                         | 41.2           | 41.3           | 41.1           | 41.4           |
| Foreign direct investment                                   | 0.6            | 0.6                          | 0.6            | 2.4            | 4.0            | 4.5            |
| Current account balance                                     | -12.0          | -10.5                        | -12.4          | -12.1          | -7.4           | -12.8          |
| Gross International Reserves (millions of US. dollars)      | 812            | 904                          | 1414           | 1196           | 1615           | 1189           |
| In months of next year's imports                            | 2.2            | 2.1                          | 3.3            | 2.8            | 3.7            | 2.7            |
| <b>Central Government Operations</b>                        |                |                              |                |                |                |                |
|   | <b>2014/15</b> | <b>2015/16</b>               | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> |
| Revenue and grants  | 14.4           | 16.1                         | 17.0           | 16.4           | 20.0           | 18.8           |
| Total expenditure   | 18.1           | 18.7                         | 22.4           | 19.8           | 21.8           | 24.6           |
| Overall balance   | -3.6           | -2.6                         | -5.4           | -3.4           | -1.8           | -5.9           |
| Primary balance   | -1.7           | -0.3                         | -3.2           | -0.8           | 0.9            | -2.9           |
| <b>Memorandum items:</b>                                    |                |                              |                |                |                |                |
| National debt (in millions of \$B)                          | 5,637.4        | 5,964.8                      | 6,550.1        | 7,772.9        | 7,829.0        | 8,473.0        |
| In percent of GDP   | 0.48           | 0.50                         | 0.54           | 0.63           | 0.62           | 0.66           |
| Nominal GDP (in millions of B\$)                            | 11,752.0       | 11,938.0                     | 12,150.0       | 12,424.5       | 12,664.0       | 12,814.9       |

Sources: International Monetary Fund, October 2019 *World Economic Outlook* and Article IV 2019 Report; Central Bank of The Bahamas; and The Bahamas Department of Statistics.

Note: P: projected.



## BARBADOS

## ADVANCING A REFORM AGENDA

**Contributor:** Laura Giles Álvarez

### Overview

**Barbados continued implementing its economic reform program throughout 2019.** The country is implementing the Barbados Economic Recovery and Transformation (BERT) Plan, supported by an Extended Fund Facility (EFF) program with the International Monetary Fund (IMF). The reforms target a debt-to-GDP ratio of 60 percent of GDP by 2033 through a combination of fiscal consolidation, debt restructuring, and growth-enhancing measures. To date, the government has completed all agreed-upon structural benchmarks under the EFF and passed reviews in June and December 2019.

**While fiscal consolidation measures are being rolled out, the economy is contracting.** A key element of the reform program is an ambitious fiscal consolidation strategy with a target 6 percent of GDP primary fiscal balance from 2019 to 2022. The government is working towards achieving this goal through a combination of revenue-enhancing and expenditure-curbing measures. Meanwhile the economy continued to contract in 2019. The timely implementation of various proposed investment projects will thus be key to boost growth going forward.

### Recent Developments

**Revenue reforms underpinned fiscal consolidation efforts in 2019.** Rates for the corporate income tax (CIT), personal income tax (PIT), and value-added tax (VAT) were substantially revised in 2019. These three taxes accounted for 63 percent of tax revenues in FY2018/2019. CIT rates were modified in response to criticisms and blacklists from the Organisation for Economic Co-operation and Development and the European Union. The domestic CIT rate has been reduced from 30 to 5.5 percent, while CIT rates for foreign companies now range between 1 and 5.5 percent. Companies that were formerly licenced under the Exempt Insurance Act have also been brought into the tax base. The PIT effective rate on taxable income has been reduced from 25 to 17 percent to compensate for the CIT reforms. This change will take effect by income year 2020. The reverse tax credit threshold has been extended from BBD\$18,000 to BBD\$25,000, and a compensatory income credit has been granted to persons earning between BBD\$25,000 and BBD\$35,000 a year. To compensate for lower PIT and CIT rates, the VAT on the accommodation sector has been increased from 7.5 to 10 percent, effective January 2020.

### Highlights

- *The debt-to-GDP ratio fell by more than 35 percent of GDP as a result of debt restructuring and the repayment of arrears.*
- *Fiscal consolidation is supporting higher overall and primary fiscal balances but is also contributing to subdued growth.*
- *Barbados passed its first two reviews under the IMF's EFF program. Going forward, implementing necessary structural reforms and proposed investments will be key for the success of the program.*

### The overall and primary fiscal balances are improving.

As a consequence of the reforms, the overall and primary fiscal balances increased from -0.3 percent and 3.5 percent of GDP, respectively, in FY2018/2019 to 2.8 percent and 4 percent of GDP, respectively, at the end of September 2019.<sup>1</sup> However, real GDP growth contracted 0.2 percent in the first three quarters of 2019. This was due to the combination of the pass-through effect of fiscal consolidation measures, a severe drought, and implementation delays of private sector investment projects.

### Outlook

**Economic growth will remain flat in 2019 but could increase in 2020,** buttressed by greater investor confidence stemming from the improved fiscal landscape and higher credit ratings. Moreover, the Central Bank of Barbados estimates that if planned investments are implemented in a timely manner and demand for tourism services grows, economic growth could range between 1.25 and 1.75 percent in 2020.

**The tourism sector is growing, but agricultural and construction sector output is lower.** Tourism output increased by 2.4 percent between September 2018 and September 2019. This reflected a 4 percent increase in long-stay arrivals, which were boosted by higher long-stay visitors from the United States and the United Kingdom (Table 1). However, this was offset by fewer long-stay arrivals from Canada and the Caribbean Community (CARICOM), a shorter average length of stay, and fewer cruise calls. Agriculture sector output contracted 9.5 percent between September 2018 and September 2019 as a result of a severe drought and sargassum. The construction sector also contracted 3.1 percent during the same period. This is the second consecutive year this sector has contracted, mostly due to low capital spending.

<sup>1</sup> The fiscal year runs from April to March.



# BARBADOS

## ADVANCING A REFORM AGENDA

**Table 1. Long-Stay Tourist Arrivals by Source Market, January-September**

|       | United Kingdom<br>(percent share of long-stays) | United States<br>(percent share of long-stays) | Canada<br>(percent share of long-stays) | CARICOM<br>(percent share of long-stays) | Total Long-stay Arrivals<br>(thousands) | Cruise Ship Arrivals<br>(thousands) |
|-------|---|--|---|--|---|-------------------------------------|
| 2016  | 33.8  | 27.0   | 12.3                                    | 10.7                                     | 458                                     | 136                                 |
| 2017  | 31.9  | 29.1   | 12.8                                    | 10.5                                     | 486                                     | 141                                 |
| 2018  | 31.5  | 30.7   | 12.8                                    | 10.6                                     | 500                                     | 160                                 |
| 2019p | 32.8  | 32.3   | 11.9                                    | 9.8                                      | 521                                     | 113                                 |

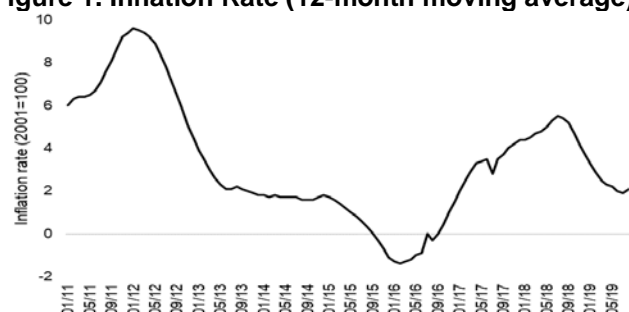
Source: Central Bank of Barbados.

Note: Cruise ship passenger arrivals for 2019 span from January until August. CARICOM: Caribbean Community; p: projected.

### **Inflation remains low, while unemployment is rising.**

The removal of the National Social Responsibility Levy (NSRL) in 2018 and subdued oil prices have supported lower inflation rates, which declined to 2.5 percent in September 2019 from 5.2 percent in September 2018 (Figure 1). Unemployment continues to increase, reaching 10.8 percent in September 2019, compared to 9.2 percent a year earlier. Public sector layoffs estimated at 0.8 percent of the employed labour force, along with subdued economic activity, have contributed to this increase.

**Figure 1. Inflation Rate (12-month moving average)**



Source: Central Bank of Barbados.

**The fiscal stance continues to improve.** As previously mentioned, fiscal consolidation and debt restructuring have contributed to a more sustainable fiscal stance. If the current pace of fiscal consolidation continues, the primary fiscal balance should reach the targeted 6 percent of GDP by the end of FY2019/2020, as set in the BERT Plan. Total expenditure declined to 11 percent of GDP in the first semester of FY2019/2020 compared to 12.8 percent in the same period of FY2018/2019. This reduction has mostly been supported by lower interest payments as a result of domestic debt restructuring. Interest spending has more than halved, from 2.6 percent of GDP in the first six months of FY2018/2019 to 1.2 percent of GDP in the first semester of FY2019/2020. Non-interest spending declined more moderately, reaching 9.8 percent of GDP in the first six months of FY2019/2020 compared to 10.2 percent of GDP

in the first semester of FY2018/2019. This is the result of slightly higher spending on capital, wages and salaries, goods and services, grants to individuals, and non-profit agencies. This spending has offset a reduction in transfers to public institutions. Going forward, completing key structural reforms under the EFF will be key to ensure the sustainability of fiscal consolidation measures.

**Revenue collection has increased,** reaching 13.8 percent of GDP in the first semester of FY2019/2020 compared to 13 percent of GDP in the first six months of FY2018/2019. Direct taxes have increased, as greater collection of personal income and property taxes offset lower corporate and financial institution asset taxes. Indirect taxes have also risen, primarily due to higher collection of the VAT, stamp duties, import duties, and other indirect taxes. This has counteracted the drop in indirect revenues stemming from removal of the NSRL.

### **The debt-to-GDP ratio continues a downward trajectory, primarily as a result of debt restructuring.**

The debt-to-GDP ratio fell from 145.9 percent of GDP in September 2018 to 120.9 percent of GDP at the end of September 2019. The domestic debt restructuring completed in November 2018 led to a 30 percent of GDP reduction of the debt stock. This was mostly due to haircuts to the Central Bank and the National Insurance Scheme, as well as interest rate reductions on private sector domestic debt. A plan to recapitalize the Central Bank and to review pensions is envisioned as part of the EFF. In November 2019, the government completed the external debt restructuring, which will contribute to further reducing the debt stock and to lower interest payments, in line with the debt target set in the BERT Plan.

**Gross international reserves have reached their highest level since 2010.** Reserves more than doubled from US\$262.8 million (6.7 weeks of import cover) in September 2018 to US\$612.8 million (15.6 weeks) at the end of September 2019. An improved trade balance and the combined US\$273 million disbursed by multilateral financial institutions for balance of payments and budget support in the past year have been the principal reasons for this increase. Passing the second review under the EFF will further boost reserves, as this triggers the third US \$48 million disbursements under the EFF program.

**The current account deficit continues to narrow, moving from 3.1 percent of GDP in September 2018 to 1.4 percent of GDP at the end of September 2019.** This has been supported by greater tourism sector output, higher re-exports of goods, and lower spending on fuel imports. Improved credit ratings in 2019 as a result of the completion of the debt restructuring can contribute to greater investment confidence and potentially support



# BARBADOS

## ADVANCING A REFORM AGENDA

foreign direct investment going forward. The current account deficit is estimated to reach 1.2 percent of GDP at the close of 2019.

**Table 2. High-Frequency Macroeconomic Indicators**

|  | Most Recent Data | Period | Prior Data | Period |
|--|------------------|--------|------------|--------|
| Annual GDP growth (%)                  | -0.2             | Sep-19 | -0.4       | Dec-18 |
| Primary fiscal balance (%)             | 4.0              | Sep-19 | 3.5        | Mar-19 |
| Public debt-to-GDP ratio (%)           | 120.9            | Sep-19 | 126.3      | Dec-18 |
| Foreign exchange reserve cover (weeks) | 15.6             | Sep-19 | 12.9       | Dec-18 |
| Inflation (%)                          | 2.5              | Sep-19 | 3.7        | Dec-18 |
| Unemployment rate (%)                  | 10.8             | Sep-19 | 10.1       | Dec-18 |

Sources: Central Bank of Barbados; and Barbados Statistical Service.

**The domestic financial sector has withstood the debt restructuring.** Lending to the private sector from deposit-taking institutions fell 0.9 percent in the first nine months of 2019. The domestic debt restructuring increased maturities and reduced interest on domestic commercial debt, and hindered liquidity and profitability indicators. Financial sector indicators were also negatively affected by the adoption of International Financial Reporting Standard 9. At the end of September 2019, the ratio of liquid assets to total assets reached 18 percent, compared to 33.1 percent a year earlier. Commercial banks are also facing lower capital buffers. The capital adequacy ratio fell from 15.8 percent in September 2018 to 13 percent in September 2019. However it remains above the prudential threshold of 8 percent. The weighted average lending rate showed a moderate decline, from 6.7 percent at the end of December 2018 to 6.4 percent at the end of August 2019, whereas the weighted average deposit rate remained at 0.2 percent. The liberalisation of foreign currency accounts has not had major implications for foreign currency deposits, which increased by 4.2 percent in the first nine months of 2019.

**The World Bank's *Doing Business Report 2020* ranks Barbados 128<sup>th</sup> out of 190 countries.** This represents a marginal improvement compared with last year's ranking of 129<sup>th</sup>. As seen in Figure 2, Barbados scores higher than the C-6 country average on sub-indicators relating to starting a business, getting electricity, resolving insolvency, registering property, trading across borders and paying taxes.<sup>2</sup> In the past year, Barbados has improved its score on the getting electricity sub-indicator by deploying new software to process applications, increasing the stock of material needed for external connection works, and offering training programs to the utility's engineers. The sub-indicator for trading across borders has also improved due to streamlining inspections by port authorities and introducing an electronic system for

documentary compliance. Enforcing contracts has eased due to the adoption of a law on mediation. In contrast, the time required to record property at the Land Registry and pay transfer fees and stamp duties has increased, which has worsened Barbados' score for registering property.

**Figure 2. Doing Business Indicators Scores, 2020**



Source: World Bank, *Doing Business Report 2020*.

Note: C-6: The Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago, and Suriname; OECD: Organisation for Economic Co-operation and Development. The scale spans from 0 (lowest) to 100 (highest).

### Conclusion

**Barbados is successfully advancing the implementation of its reform agenda.** The completion of debt restructuring and the progress towards reaching a primary fiscal surplus of 6 percent of GDP are important steps towards reaching the debt-to-GDP target of 60 percent of GDP by 2033. However, subdued growth remains a concern that will have to be addressed through implementation of large-scale investments that were announced by the government of Barbados in 2019.

**Key risks and uncertainties will have to be closely monitored to ensure the program's results are achieved.** Together with the need for greater economic growth, completing the agreed-upon structural reforms under the EFF will be key for the success of the program. Additional risks and uncertainties that could affect the pace of reform and the economic context for Barbados include (1) uncertainties stemming from global trade tensions; (2) the possibility of a hard Brexit; and (3) fluctuations in commodity prices. Ensuring continued adherence to the reform program and closely monitoring these factors will thus be key towards realizing greater macroeconomic stability and fiscal sustainability in the country going forward.

<sup>2</sup> The C-6 countries are The Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago, and Suriname.

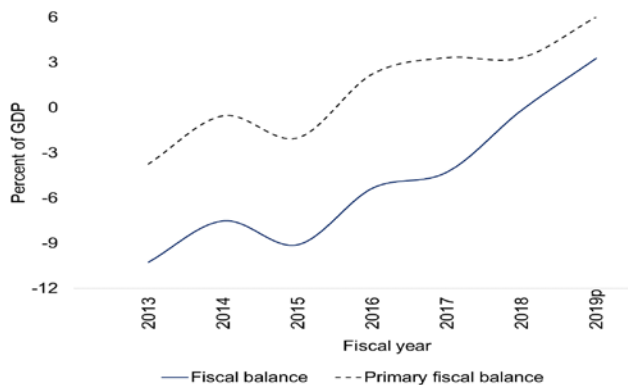


# BARBADOS

# SNAPSHOT OF THE ECONOMY

Economic reforms are improving Barbados' fiscal stance...

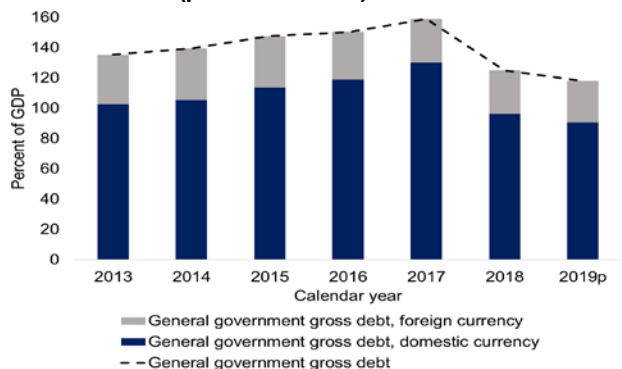
### A. Overall and Primary Fiscal Balance (percent of GDP)



Source: International Monetary Fund, October 2019 *World Economic Outlook*.

...as well as reducing the debt stock.

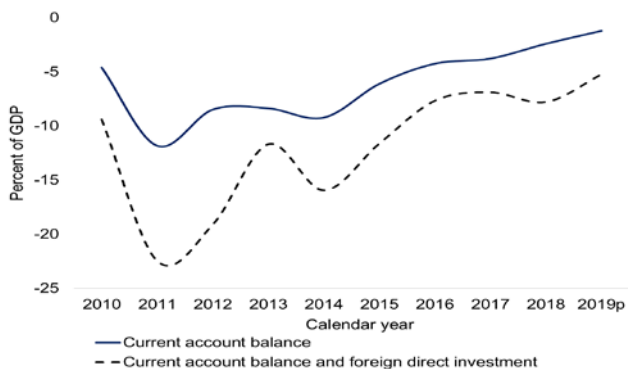
### C. Debt Stock (percent of GDP)



Source: International Monetary Fund, October 2019 *World Economic Outlook*.

...and although investor confidence also seems to be reacting positively to the reform program...

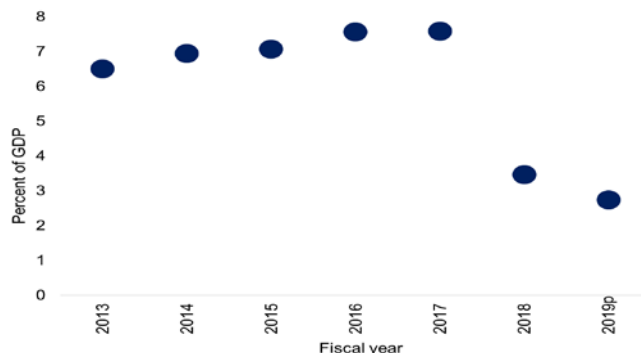
### E. Current Account Balance and Foreign Direct Investment (percent of GDP)



Source: International Monetary Fund, October 2019 *World Economic Outlook*.

... and are easing pressures on government finances...

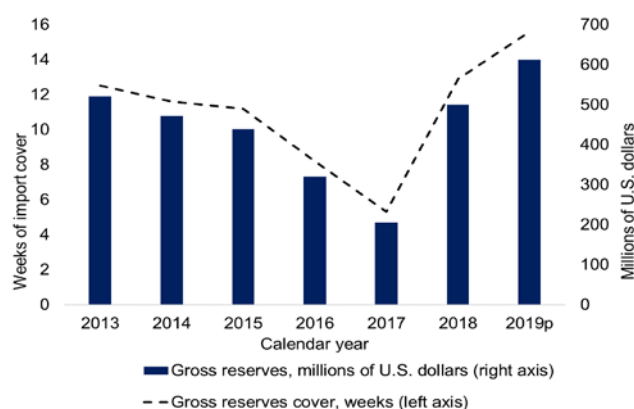
### B. Interest Payments (percent of GDP)



Source: International Monetary Fund, October 2019 *World Economic Outlook*.

With the support of international financial institutions, gross international reserves are rising...

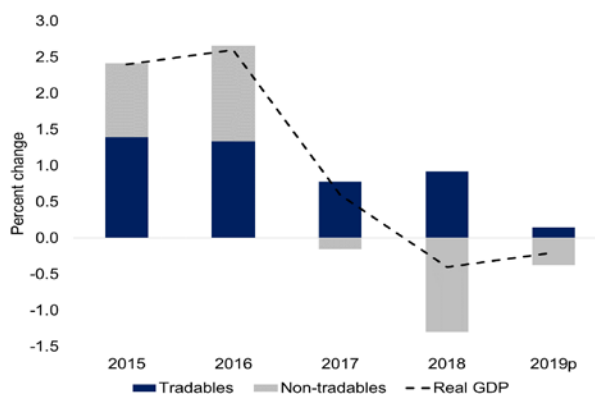
### D. Gross International Reserves



Source: Central Bank of Barbados, September 2019.

... fiscal consolidation continues to fuel negative growth.

### F. Contribution to Economic Growth (percent)



Source: Central Bank of Barbados, September 2019.


**Barbados: Selected Economic Indicators, 2015–2019**

|   | 2015  | 2016  | 2017  | 2018  | 2019e |
|---|-------|-------|-------|-------|-------|
| (Percent change, unless otherwise stated)                               |       |       |       |       |       |
| <b>Real Sector</b>  |       |       |       |       |       |
| Real GDP growth   | 2.2   | 2.3   | -0.2  | -0.5  | -0.1  |
| Nominal GDP (billions of U.S. dollars)                                  | 4.7   | 4.8   | 5.0   | 5.1   | 5.2   |
| Inflation (average period)  | -1.1  | 1.5   | 4.4   | 3.6   | 1.3   |
| Unemployment  | 11.3  | 9.7   | 9.9   | 10.1  | 10.4  |
| <b>External Sector</b>  |       |       |       |       |       |
| Exports of goods and services   | 3.2   | 6.6   | 0.8   | 2.9   | 2.7   |
| Imports of goods and services   | -3.9  | 0.2   | -0.4  | 3.8   | -0.8  |
| Current account balance (percent of GDP)                                | -6.1  | -4.3  | -3.8  | -2.4  | -1.2  |
| Gross foreign reserves cover (millions of U.S. dollars) <sup>1</sup>    | 439.0 | 320.0 | 205.7 | 499.7 | 612.8 |
| Gross foreign reserves cover (weeks) <sup>1</sup>                       | 11.2  | 8.2   | 5.3   | 12.9  | 15.6  |
| (Percent of GDP, unless otherwise stated)                               |       |       |       |       |       |
| <b>Debt</b>   |       |       |       |       |       |
| Gross government debt <sup>2</sup>                                      | 147.6 | 150.3 | 158.8 | 124.9 | 118.0 |
| Gross domestic general government debt                                  | 113.5 | 118.8 | 130.2 | 96.2  | 90.6  |
| Gross external general government debt                                  | 34.1  | 31.4  | 28.6  | 28.7  | 27.4  |
| (In percent of GDP and on a fiscal year basis, unless otherwise stated) |       |       |       |       |       |
| <b>Fiscal Position</b>  |       |       |       |       |       |
| Revenue   | 25.7  | 27.8  | 28.8  | 29.3  | 31.1  |
| Expenditure   | 34.7  | 33.1  | 33.4  | 29.6  | 27.8  |
| Fiscal balance  | -9.0  | -5.3  | -4.6  | -0.3  | 3.3   |
| Primary balance   | -2.0  | 2.2   | 3.2   | 3.5   | 6.0   |

Sources: International Monetary Fund, October 2018 *World Economic Outlook*; and the Central Bank of Barbados.

<sup>1</sup> Foreign reserves in 2019 include estimates until September 2019.

<sup>2</sup> Gross government debt includes central government debt, central government arrears, and state-owned enterprise debt guaranteed by the central government.



**Contributors:** Victor Gauto and Elton Bollers

### Overview

**Guyana has maintained steady economic growth through 2019 that is expected to continue in the medium term.** Economic activity related to oil and gas intensified in 2019 as both the public and private sectors continued to prepare for the beginning of oil production. Oil operators have announced that their production schedule has accelerated and they expect to begin oil extraction in December 2019 rather than early 2020.

### Recent Developments

**The president announced that general and regional elections will be held on March 2, 2020.** The announcement, which was made on October 1, comes as a result of the Caribbean Court of Justice ruling on the no confidence motion last December.

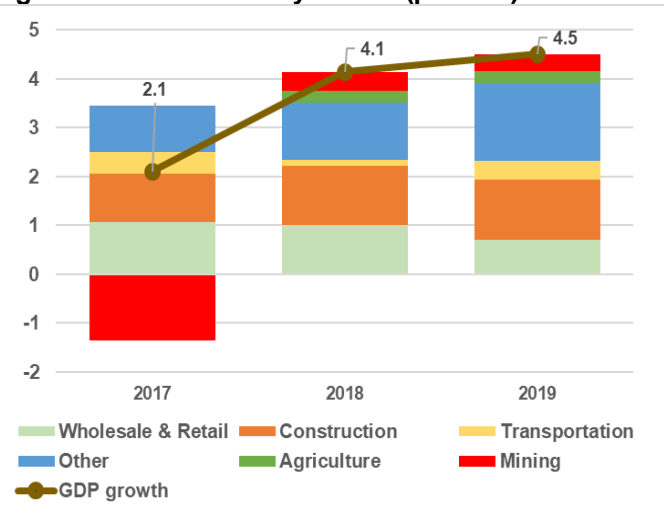
**Guyanese authorities estimate that the economy will grow by 4.5 percent in 2019, higher than the 4.1 percent recorded in 2018.** In June, authorities released an updated GDP growth estimate that was slightly higher than the 4.4 percent estimate earlier in the year. The sectors expected to have the highest growth rates include construction, and finance and insurance, with rates of 10.5 percent and 6 percent, respectively. Real estate activities, and wholesale and retail trade are both projected to grow at 5.5 percent. These estimates are supported by mid-year outcomes that showed construction and finance growing by 8.2 percent and 4.1 percent, respectively, in the first semester of 2019. Wholesale trade and transportation services also showed significant dynamism during the first half of the year, with growth rates of 5.9 percent and 5.5 percent, respectively. These are important developments considering that construction, wholesale and retail, and transportation are relatively large sectors of the economy that together account for 35 percent of total GDP. Overall, the economy grew by 4.0 percent the first semester of 2019.

**On the other hand, the mining and agricultural sectors have been less dynamic.** These two sectors are the largest in the economy, accounting for approximately 30 percent of GDP. Their declines have been due to a moderation in commodity prices and a contraction in sugar production as a result of ongoing structural reforms of the state-owned sugar enterprise. Both sectors are currently recovering after contracting in 2017 (Figure 1), although the 2019 growth estimate for agriculture was revised down to 1.4 percent from 3.2 percent, while the growth estimate for mining and quarrying was revised down to 2.6 percent from 3.4 percent. In the first semester of 2019, agriculture contracted by 0.3 percent while mining expanded by 2.6 percent.

### Highlights

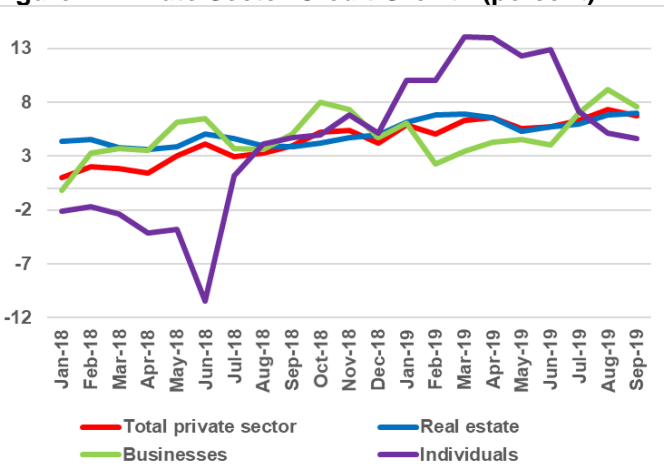
- General and regional elections are scheduled for March 2, 2020.
- Oil production is expected to begin in December 2019.
- The IMF projects an economic growth rate of 85.6 percent in 2020.

**Figure 1. GDP Growth by Sector (percent)**



Source: Bank of Guyana.

**Figure 2. Private Sector Credit Growth (percent)**



Source: Bank of Guyana.

### Private sector credit growth has been robust in 2019.

While year-over-year private sector credit growth has increased from the year-end figures of 2.3 percent in 2017 and reached 4.2 percent in 2018, credit growth levels have been even higher in 2019 (Figure 2). The average year-over-year growth rate was 2.6 percent between January and September 2018, which increased to 6.2 percent in 2019. The main components of private

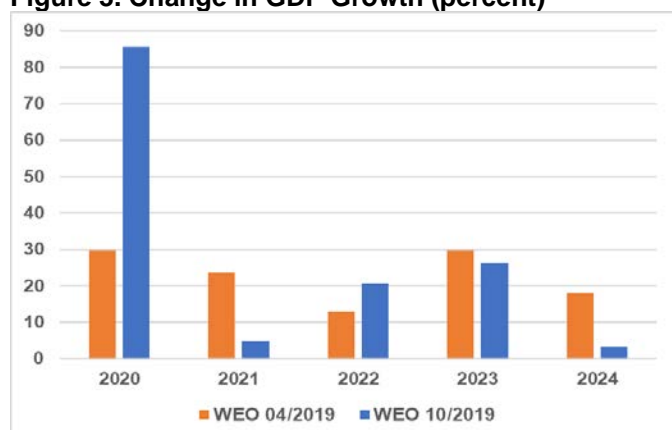


sector lending include loans to businesses, real estate mortgages, and individuals, representing approximately 50 percent, 35 percent, and 15 percent of total private sector lending, respectively. In September 2019, real estate lending grew by 7 percent year-over-year. Similarly, lending to businesses reached a high of 9.2 percent year-over-year in August 2019 but declined to 7.5 percent in September. Individual lending growth has been the most volatile, falling by 10.5 percent year-over-year in June 2018 before recovering to 14.1 percent in March 2019. As of September 2019, business and individual lending had grown by 4.7 percent and 5.1 percent year-over-year, respectively.

### Economic Outlook

**The economic outlook is driven by the prospect of oil production beginning by the end of 2019 and more oil discoveries.** ExxonMobil made four more oil discoveries in 2019, increasing its total number of discoveries to 14. Tullow announced two discoveries in a separate exploration block bringing the total number of discoveries in Guyana to 16. ExxonMobil's estimate of recoverable oil reserves is currently at least 6 billion oil-equivalent barrels. The first two wells, Liza-1 and Liza-2, are expected to begin production in 2019 and 2022, respectively, followed by a third prospect potentially in 2023. While the first well is expected to produce 120,000 barrels per day (bpd), ExxonMobil claims to have the potential to produce at least 750,000 bpd by 2025.

**Figure 3. Change in GDP Growth (percent)**



Source: International Monetary Fund, April 2019 and October 2019 *World Economic Outlook* (WEO).

**Oil production is expected to become the main driver of GDP growth in 2020.** The International Monetary Fund's (IMF) October 2019 *World Economic Outlook* projects that GDP will grow by 85.6 percent in 2020 and that average annual growth between 2020 and 2024 will be 28 percent. Oil exports are expected to represent a growing share of GDP, increasing from 29 percent in 2020 to 54 percent in 2024. These outstanding growth

rates are expected to have positive spill-overs to the rest of the economy. According to the IMF's 2019 Article IV Consultation, non-oil GDP growth is expected to average 4.8 percent between 2020 and 2024, higher than the 3.3 percent average between 2014 and 2018.

**These figures represent important updates relative to previous IMF estimates.** The most outstanding difference in current estimates relative to previous ones is for GDP growth – those estimates increased by approximately 56 percent for 2020 and almost 8 percent in 2021 (Figure 3). This update takes into account greater expected levels of oil production in 2020 relative to previous estimates. This also has implications for other key indicators such as government revenues and the current account balance.

**The fiscal deficit is projected to increase slightly in 2019 relative to 2018 before recovering after oil production begins.** In 2019, the fiscal deficit is expected to increase to 4.8 percent of GDP due to greater infrastructure-related capital expenditure and higher levels of wages and salaries addressing staffing capacity and skills gaps. The IMF's medium-term estimates assume the adoption of a fiscal responsibility framework limiting the size of the non-oil fiscal deficit to the expected annual transfer from the Natural Resource Fund. This limit would lead to having an overall fiscal balance beginning in 2022.

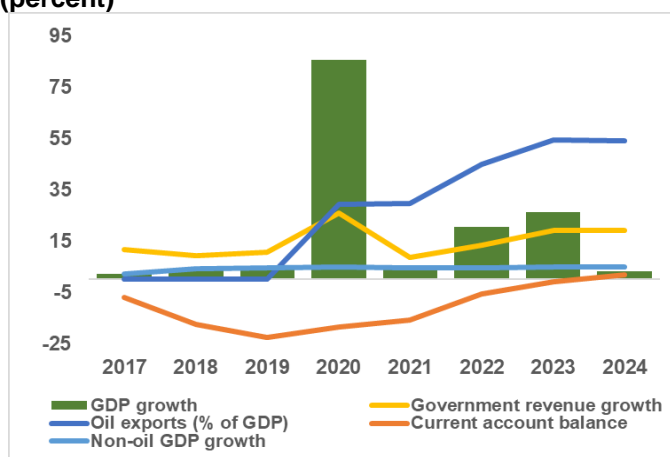
**Government revenues are projected to significantly increase.** While GDP is expected to almost double in 2020, government revenues are projected to increase by 25.9 percent compared to 18.3 percent as previously estimated by the IMF. Lower revenue growth rates relative to GDP growth reflect characteristics of Guyana's Production Sharing Agreement (PSA) with ExxonMobil. The PSA establishes that 75 percent of oil production profits are allocated to the operator for cost recovery in the initial years, while the remaining 25 percent are divided equally between Guyana and ExxonMobil. Over the medium term (2020–2024), average annual government revenue growth is expected to be 17.3 percent (Figure 4). Government oil revenues were slightly lower in the most recent IMF estimates. They were projected to average approximately US\$421 million per year between 2020 and 2023, but that was lowered to approximately US\$323 million from the IMF's Article IV Consultation 2018 to that of 2019.

**In the external sector, while the trade balance is expected to move to large surpluses the overall current account is expected to move towards a**



**balanced position.**<sup>1</sup> The trade balance of goods and services is projected to decline through 2019 to -35 percent of GDP as oil production activities lead to increased investment-related imports. In the medium term, the trade balance is expected to increase to 41 percent of GDP in 2024. However, the current account balance is weighed down by net labor/investment income outflows that offset the trade surplus. The net labor/investment income outflows range from 25 percent of GDP in 2020 to 46 percent in 2024.

**Figure 4. Key Indicators: Medium-term Outlook (percent)**



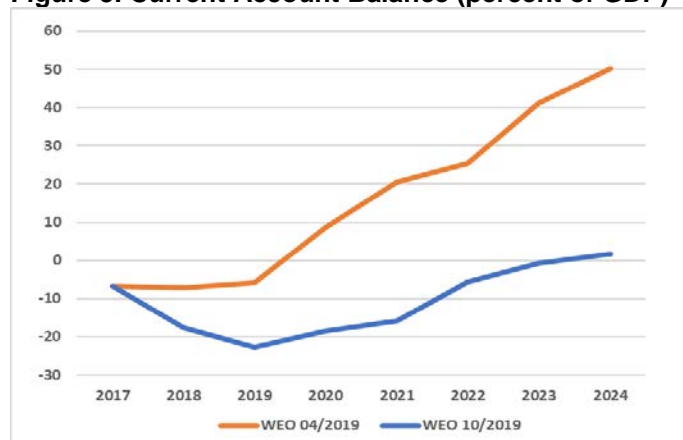
Source: International Monetary Fund, October 2019 *World Economic Outlook*.

There were large variations in current account balance estimates between the IMF's projections in April and October 2019 (Figure 5). The updates to the current account balance are retroactive and affect the estimates beginning in 2018, reflecting updates to the levels of imports in Guyana in 2018 and 2019. However, the largest driver of the variation is the update to the net outflows of labor/investment earnings, which for 2020 increased from 3.6 percent of GDP in the April estimate to 25 percent in the October estimate. Similarly, while the large current account surplus was offset by large net foreign direct investment (FDI) outflows in the April estimate, net FDI inflows are maintained in the October estimate.

**These investment income outflows are useful to approximate Guyana's gross national income (GNI)** The GNI adjusts GDP for net labor/investment income. For example, by subtracting net labor/investment outflows from GDP, economic growth is tempered to 39 percent in 2020.

<sup>1</sup> The current account balance is made up of the balance of trade in goods and services, labor/investment income, and net transfers such as aid and remittances.

**Figure 5. Current Account Balance (percent of GDP)**



Source: International Monetary Fund, April 2019 and October 2019 *World Economic Outlook* (WEO).

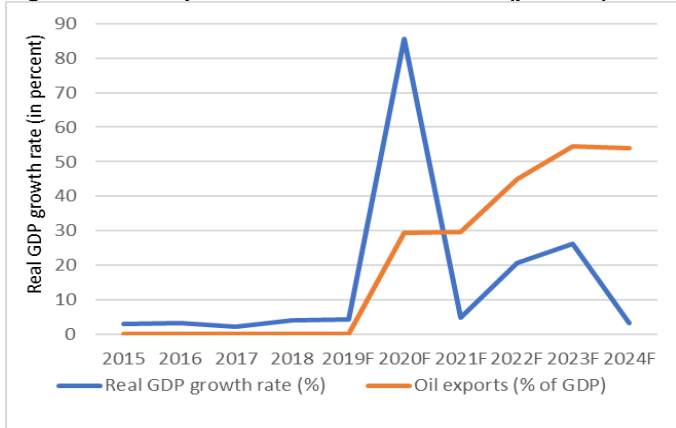
### Conclusion

**Guyana stands at a pivotal moment in its history.** Even though oil production has not yet started, the economy is showing signs of increased activity reflected in greater international connectivity and public sector investment. Similarly, developments in the real estate and construction sectors signal higher overall levels of business activity, which are reflected in both GDP growth estimates and private sector lending.

**Guyana has the opportunity to translate the government's newfound sources of income into an agent for economic transformation and development.** In 2019, the government outlined key areas of development in its Green State Development Strategy: Vision 2040, which has the core objectives of managing natural resource wealth, supporting economic resilience, and building human capital. Supporting economic resilience includes the goals of developing resilient infrastructure and supporting economic diversification. These are key areas of development to extend Guyana's natural resource wealth throughout the whole economy.

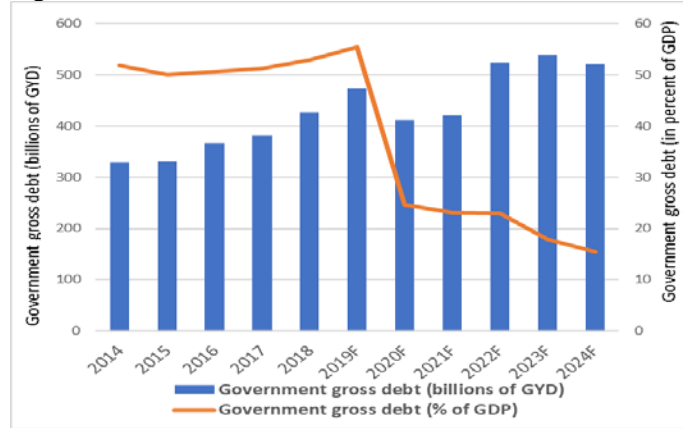
GDP growth is expected to skyrocket due to oil production...

**Figure A. Oil Exports and Real GDP Growth (percent)**



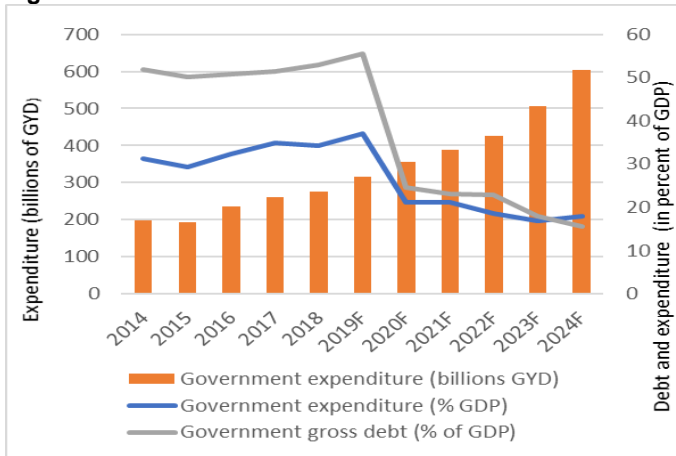
... as debt remains moderate.

**Figure B. Government Gross Debt and Debt-to-GDP Ratio**



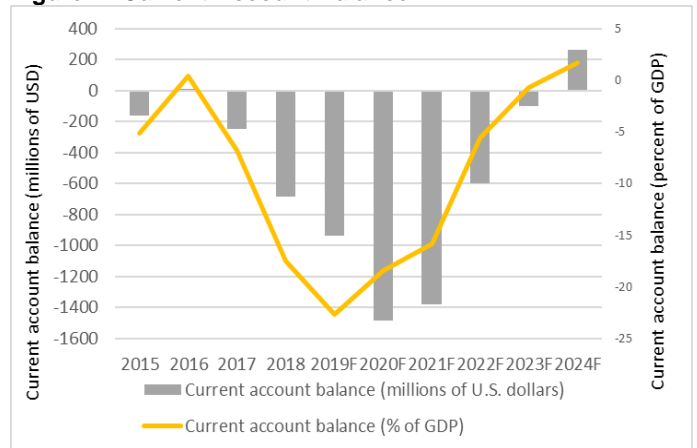
Meanwhile, the expansionary policy stance holds...

**Figure C. Fiscal Overview**



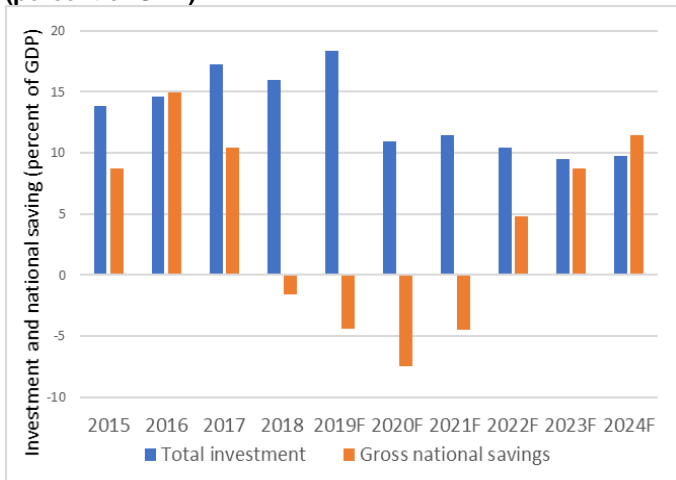
... as the current account balance deteriorates.

**Figure D. Current Account Balance**



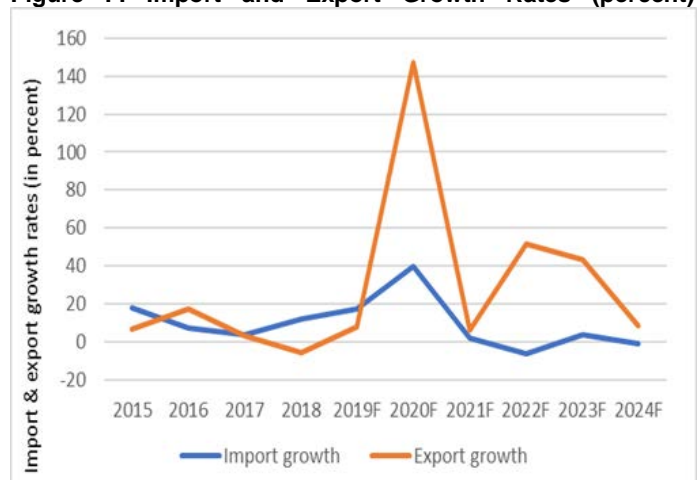
Gross national saving is set to further decline before increasing.

**Figure E. Gross National Saving and Total Investment (percent of GDP)**



Export growth is expected to improve as oil production commences.

**Figure F. Import and Export Growth Rates (percent)**



Source: International Monetary Fund, October 2019 *World Economic Outlook* Note: F: forecast.



Guyana: Selected Economic Indicators, 2015–2019

|   | 2015    | 2016    | 2017    | 2018    | 2019(p) |
|---|---------|---------|---------|---------|---------|
| (Annual percent changes, unless otherwise indicated)                    |         |         |         |         |         |
| <b>Real Sector</b>  |         |         |         |         |         |
| Real GDP growth   | 3.06    | 3.36    | 2.13    | 4.14    | 4.44    |
| Nominal GDP (millions of Guyanese dollars)                              | 660.23  | 723.58  | 744.61  | 805.66  | 852.40  |
| GDP per capita (U.S. dollars)   | 4168.48 | 4531.24 | 4635.61 | 4984.10 | 5252.05 |
| Inflation   | -0.87   | 0.83    | 1.94    | 1.27    | 2.07    |
| <b>External sector</b>  |         |         |         |         |         |
| Export of goods and services  | 6.90    | 17.59   | 3.14    | -5.47   | 7.68    |
| Import of goods and services  | 18.07   | 7.26    | 3.74    | 12.27   | 17.34   |
| Current account (percent of GDP)  | -5.10   | 0.38    | -6.83   | -17.53  | -22.71  |
| Remittances (percent of GDP)  | 13.20   | 9.30    | 8.20    |         | n.a.    |
| Foreign direct investment (percent of GDP)                              | 8.50    | 4.00    | 0.90    | 3.90    | n.a.    |
| International reserves (millions of U.S. dollars)                       | 598.50  | 596.70  | 584.00  | 528.40  | 642.95  |
| (In percent of GDP, unless otherwise indicated, on a fiscal year basis) |         |         |         |         |         |
| <b>Central Government</b>   |         |         |         |         |         |
| Revenue and grants  | 28.10   | 28.11   | 30.51   | 30.80   | 32.26   |
| Total expenditure   | 29.29   | 32.38   | 34.83   | 34.34   | 37.03   |
| Structural balance  | 1.43    | -1.13   | -4.50   | -2.89   | -3.70   |
| Primary balance   | -0.21   | -3.35   | -3.24   | -2.49   | -3.75   |
| Overall balance   | -1.19   | -4.28   | -4.32   | -3.54   | -4.77   |
| <b>Debt Indicators</b>  |         |         |         |         |         |
| Central government debt   | 50.10   | 50.74   | 51.35   | 52.94   | 55.50   |

Sources: Bank of Guyana; and International Monetary Fund, October 2019 *World Economic Outlook*.

Note: (p): projected; n.a.: not available.



# JAMAICA

## THE POST-PROGRAM ERA

**Contributors:** Henry Mooney and Jason Christie

### Overview

**In November 2019, Jamaica successfully graduated from International Monetary Fund (IMF) support with a near flawless record of achievement.** The most recent Stand-By Arrangement in place since 2016 followed a previous IMF program initiated in 2013, under which Jamaica’s authorities have successfully achieved most of the programs’ quantitative performance objectives, while also making excellent progress with many important structural reforms. First among the government’s impressive achievements has been a reduction in the public-debt-to-GDP ratio from over 145 percent in 2012 to below 100 percent this past March. In this context, authorities are well on the way to achieving the fiscal rule’s public debt target of 60 percent of GDP by 2026. Institutional reforms including revenue reforms, the implementation of a fiscal responsibility law, and the shift to inflation-targeting and more flexible exchange rates also stand out as praiseworthy achievements.

**In the post-program environment, authorities should focus on policies and reforms that accelerate growth.** Having succeeded in stabilizing the economy, authorities must continue implementing prudent policies, while also completing key structural and institutional reforms—for example, restructuring the public sector to improve service delivery and efficiency, while reducing the wage bill. Authorities must also focus on growth-enhancing policies, including by ensuring that newfound fiscal space is prudently directed towards growth-enhancing public investments aimed at overcoming infrastructure deficits and catalysing private activity crucial to accelerating productivity and output growth.

### Recent Developments

**Despite strong policies and reform implementation, real GDP growth is expected to slow this fiscal year.** Following weather-related shocks to agricultural output, real GDP growth in FY2017/2018 was only 0.9 percent. Performance in FY2018/2019 was considerably better, with real GDP growth reaching 1.5 percent, led by strong performance of mining, tourism, and other key sectors. However, the closure of Alpart—a major mining and refining complex—for between 18 to 24 months for rehabilitation is expected to have a negative impact on near-term growth. While estimates have yet to be finalized, early indications are that growth may fall to below 1 percent for FY2019/2020, and that growth for FY2020/2021 will also be adversely affected. Once Alpart reopens, expansion of the facility’s capacity is expected to have a positive impact on medium-term growth.

### Highlights

- *In November 2019, Jamaica successfully graduated from an extended period of programmatic engagement with the IMF with an excellent record of achievement with respect to the latest program’s performance criteria and structural benchmarks.*
- *Over the past six years, policymakers from both major political parties maintained a strong commitment to policy and institutional reform. This was bolstered by continuous communication and collaboration with the private sector and general public, helping to maintain broad support for prudent policies.*
- *While much has been achieved in terms of debt reduction, fiscal consolidation, institutional innovation and reform, as well as improved public sector capacity, more effort will be required to reap the benefits of macroeconomic stabilization, and to propel the economy towards faster and more inclusive growth.*
- *Policies aimed at providing an enabling environment for private investment and productivity growth will be key, including deploying newfound fiscal space towards critical infrastructure deficits with the potential to facilitate faster growth.*

**The Bank of Jamaica (BOJ) further eased credit conditions in August to support its medium-term objectives.** Unemployment reached an all-time low of 7.8 percent in April 2019, and annualized inflation was estimated at 4.1 percent at end-August 2019. In this context, inflation fell within the BOJ’s target range of 4 to 6 percent for the fourth consecutive month in August. Looking forward, the BOJ has projected inflation to remain below the mid-point of its target range over the medium term, owing in part to low fuel prices and the moderation of global growth estimates (particularly for key trading partners). In this context, the BOJ reduced the policy rate from 0.75 percent to 0.5 percent in August—its 13th reduction since July 2017 (Figure 1)<sup>1</sup>—in order to mitigate potential downside risks to the inflation outlook from both domestic and external factors.

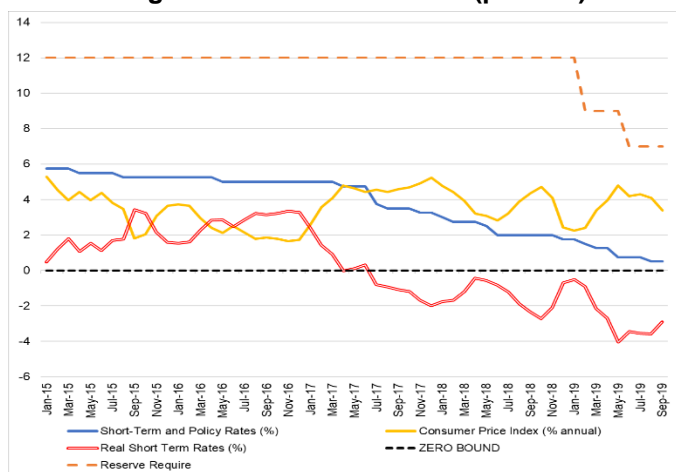
**Rating agencies acknowledge successful reforms and are improving their assessments of Jamaica accordingly.** S&P and Fitch have upgraded Jamaica’s long-term issuer rating from B to B+ this year, citing progress with debt reduction, increased exchange rate flexibility, stronger external buffers, and legislative reforms. This has supported Jamaica’s recent efforts to undertake both external and domestic debt operations at increasingly low costs in order to reduce refinancing risks and rebalance the public debt portfolio from external

<sup>1</sup> The policy rate instrument was initially set at 3.75 percent in July 2017.



towards domestic currency liabilities. In this context, yields on domestic debt instruments have fallen to record lows in recent months—the 180-day Treasury bill rate was about 2 percent through October 2019, compared to over 6 percent on average in 2015.

Figure 1. Credit Conditions (percent)



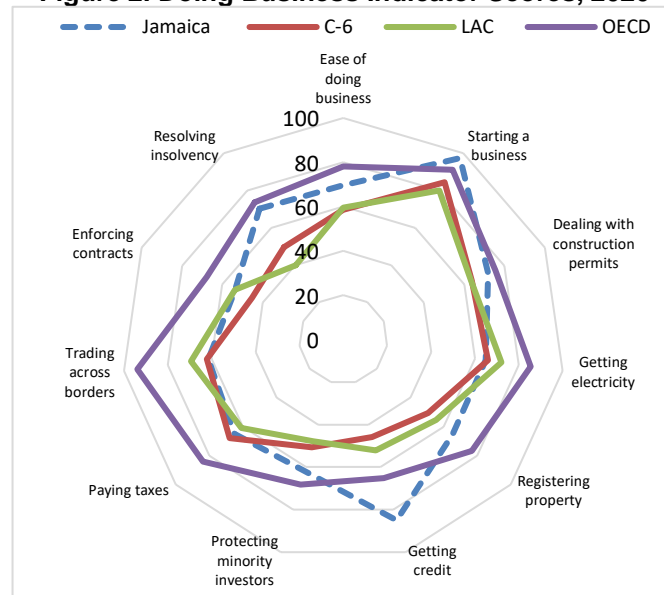
Sources: Bank of Jamaica; and authors' calculations.

**Jamaica's success with economic and structural reforms supports the business climate.** Jamaica compares well with other countries in Latin America and the Caribbean on the World Bank's 2020 Doing Business Indicators (Figure 2). This is a reflection of structural, regulatory, and legislative reforms undertaken in recent years, including those aimed at reducing procedural and administrative barriers to starting and operating a business, streamlining the permit process, and improving investor protection and property rights. Scores on sub-indicators such as accessing credit have also benefited from progress towards macroeconomic stability, lower inflation, and reduced domestic interest rates resulting from successful economic and institutional reforms.

**Outlook**

**The post-IMF program environment presents both opportunities and risks for Jamaica.** After six consecutive years of sound policies and reforms in partnership with international partners, Jamaicans now find themselves at a crucial juncture in terms of continued progress towards faster and more inclusive development. Progress towards stabilizing the economy, reducing debt, restoring investor confidence, and modernizing institutions will need to be continued to ensure that these advances are not compromised by potential shocks or by any potential weakening of the commitment to fiscal discipline and responsible governance.

Figure 2. Doing Business Indicator Scores, 2020



Source: World Bank, *Doing Business Report 2020*.

Note: C-6: The Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago, and Suriname; LAC: Latin America and the Caribbean; OECD: Organisation for Economic Co-operation and Development.

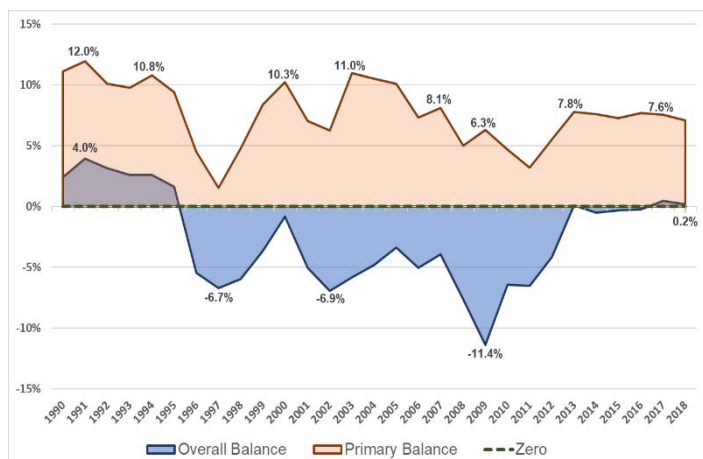
**In this context, completing reforms and continuing with growth-enhancing efforts will be essential.** Examples of ongoing reforms requiring sustained efforts include completion of legislative and other measures to ensure independence of the BOJ, implementation of an independent fiscal council, and optimization of the structure of government. Other reforms aimed at modernizing public service provision and digitalizing citizen information will also be important to ensure that the public sector can create an enabling environment for private investment and consumer activity. The government will also need to improve the quality and access to services in several key areas, including education, health, and citizen security. Further efforts to improve the business and investment climate would also support economic diversification into higher value-added sectors, as well as greater resilience to external shocks to demand and natural disasters.

**Three decades of limited fiscal space have taken their toll on Jamaica's infrastructure and growth potential.** Jamaica's legacy of high debt has adversely impacted macroeconomic stability and growth. While much has been made of the primary fiscal surpluses maintained under the last two successive IMF-supported programs (in the range of 6.5 to 7.5 percent), policymakers have lacked fiscal space since at least the early 1990s. In fact, Jamaica has registered primary fiscal surpluses for over three decades (Figure 3), driven by limited access to



funding, large and growing debt service requirements, and wage-driven expenditure rigidities.

**Figure 3. Fiscal Space: Overall and Primary Balances (% GDP)**



Sources: International Monetary Fund, October 2019 *World Economic Outlook*; and authors' calculations.

**Newly-acquired fiscal space should be deployed to productivity-enhancing public investments.** Years of underinvestment have led to deficits in a number of key sectors—including transport, energy generation and transmission, water and sanitation, and public health care.<sup>2</sup> Deficits in related areas have also been flagged by Jamaica's firms as major impediments to productivity improvements and growth.<sup>3</sup> Reforms and debt reduction in recent years, along with the fiscal responsibility law's commitment to balanced budgets, have provided policymakers with appreciable fiscal space (i.e., overall balance surpluses<sup>4</sup>) for the first time in decades. Looking forward, budgets should focus on achieving the medium-term debt target of 60 percent of GDP, building buffers against external shocks, and gradually increasing public investment in high-priority areas with the potential to catalyse private investment and support productivity

growth. To this end, sound project analysis, costing, and implementation capacity should be developed within the government, leveraging support available from international partners such as the Inter-American Development Bank, as well as the private sector.

**Conclusions**

**Jamaicans should be commended for their steadfast support of reforms, that have set the stage for a more prosperous future.** Few countries have made as much progress in as short a period towards debt reduction, economic stability, and institutional reform. However, this period of economic stabilization and institutional reinforcement will require continued diligence and effort to ensure that progress to date is translated into faster and more inclusive growth. This will require continued fiscal prudence and debt reduction, adherence to inflation targets, completion of ongoing institutional and legislative reforms, and a rotation towards more active public investment in critical growth-enhancing areas, while also safeguarding hard-won fiscal space and credibility.

**Table 1. High-Frequency Macroeconomic Indicators**

|   | Most Recent Data | Period         | Prior Data | Period         |
|---|------------------|----------------|------------|----------------|
| Real GDP growth (year-over-year in percent)           | 1.3              | June 2019      | 1.1        | June 2018      |
| Inflation (year-over-year in percent)                 | 4.09             | August 2019    | 2.9        | August 2018    |
| Net international reserves (billions of U.S. dollars) | 3.1              | September 2019 | 3.0        | September 2018 |
| US\$/JM\$ exchange rate (end of period)               | 140              | October 2019   | 132        | October 2018   |
| Unemployment (percent)                                | 7.8              | April 2019     | 9.7        | April 2018     |

<sup>2</sup> See Mooney and Christie, "Caribbean Region Quarterly Bulletin—Infrastructure for Development in the Caribbean," Volume 8, No. 3 (September 2019). Available at: [https://publications.iadb.org/publications/english/document/Caribbean\\_Region\\_Quarterly\\_Bulletin\\_Volume\\_8\\_Issue\\_3\\_September\\_2019\\_en.pdf](https://publications.iadb.org/publications/english/document/Caribbean_Region_Quarterly_Bulletin_Volume_8_Issue_3_September_2019_en.pdf).  
<sup>3</sup> See Mooney, "Jamaica: Financial Development, Access, and Inclusion: Constraints and Options," IDB Policy Brief No. 301 (November 2018). Available at: [https://publications.iadb.org/publications/english/document/Jamaica\\_Financial\\_Development\\_Access\\_and\\_Inclusion\\_Constraints\\_and\\_Options.pdf](https://publications.iadb.org/publications/english/document/Jamaica_Financial_Development_Access_and_Inclusion_Constraints_and_Options.pdf).  
<sup>4</sup> An alternative measure of fiscal space includes whether a government has affordable access to finance, particularly when debt burdens are considered sustainable, providing further scope to borrow, etc. Here the focus is on overall fiscal balances (i.e., the difference between revenue and expenditures) as a simple but telling measure.



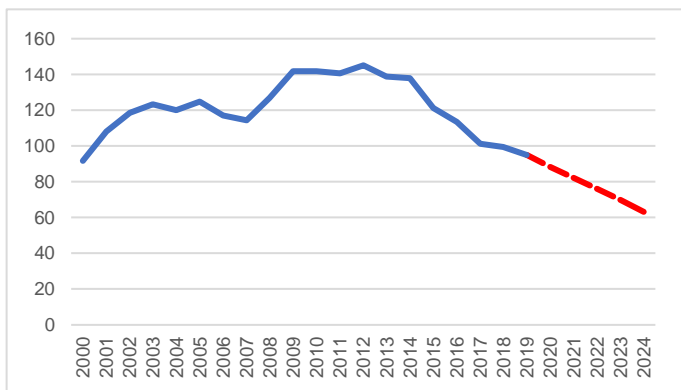


# JAMAICA

## SNAPSHOT OF ECONOMY

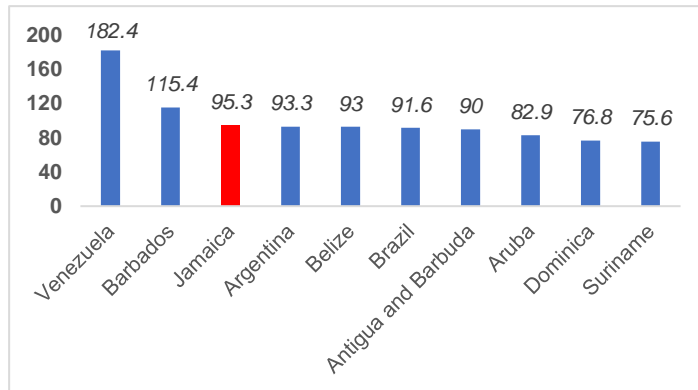
Public debt has fallen due to prudent policies ...

**Figure A: Jamaica Debt-to-GDP 2000-2024**



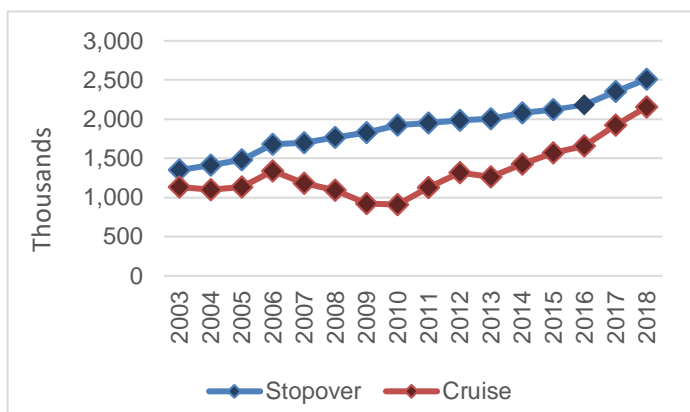
... but Jamaica remains one of the most indebted countries in LAC.

**Figure B: Gross Debt-to-GDP, 10 highest in LAC**



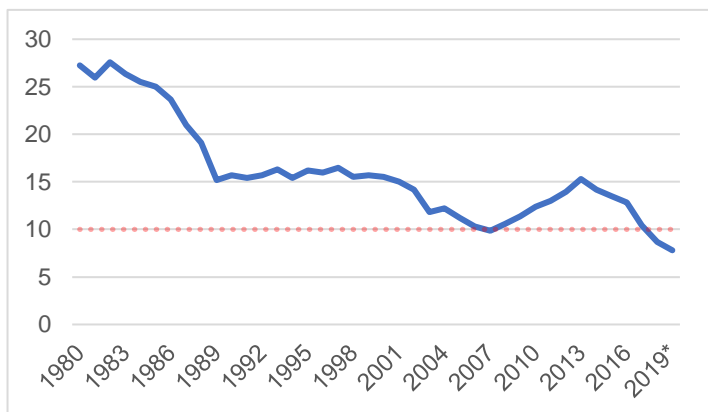
While progress is visible...

**Figure C: Tourism Arrivals January 2003 - 2018**



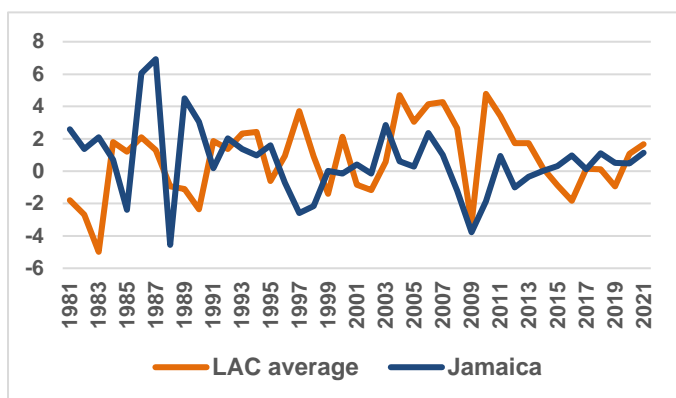
... and reflected in employment...

**Figure D: Unemployment Rate, 1980-present**



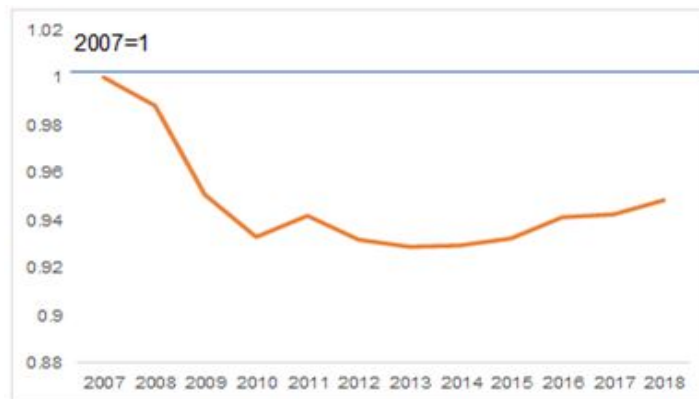
... growth remains below LAC averages...

**Figure E: Real per capita GDP growth in domestic currency**



... and Jamaica remains poorer than before the global recession.

**Figure F: Real per capita GDP Domestic Index**



Sources: International Monetary Fund, October 2019 *World Economic Outlook*; Bank of Jamaica; Ministry of Finance; Jamaica Tourist Board; and Statistical Institute of Jamaica



## Jamaica: Selected Indicators, 2015/2016 – 2019/2020

|   | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020(p) |
|---|-----------|-----------|-----------|-----------|--------------|
| (Annual percent changes, unless otherwise indicated)  |           |           |           |           |              |
| <b>Real Sector</b>  |           |           |           |           |              |
| Real GDP  | 1.0       | 1.4       | 0.9       | 1.5       | 1.1          |
| Nominal GDP   | 7.7       | 5.9       | 7.9       | 5.4       | 5.5          |
| Inflation (end of period)   | 3.0       | 4.1       | 4.0       | 4.0       | 4.1          |
| Exchange rate (end of period)   | 122.0     | 128.7     | 126.0     | 129.0     | 140.0        |
| (In percent of GDP)   |           |           |           |           |              |
| <b>External Sector</b>  |           |           |           |           |              |
| Exports of goods  | 8.3       | 8.8       | 9.2       | 10.8      | 9.9          |
| Exports of services   | 14.8      | 15.8      | 14.2      | 14.1      | 25.0         |
| Imports of goods  | 30.0      | 30.1      | 33.5      | 33.7      | 33.5         |
| Imports of services   | 19.5      | 21.2      | 20.6      | 20.8      | 15.9         |
| Current account   | -2.0      | -1.2      | -3.0      | -2.5      | -2.5         |
| (In percent of GDP, unless otherwise indicated)   |           |           |           |           |              |
| <b>Central Government</b>   |           |           |           |           |              |
| Revenue and grants  | 27.0      | 27.9      | 29.0      | 30.8      | 29.4         |
| Budgetary expenditure   | 27.3      | 28.1      | 28.6      | 30.6      | 29.2         |
| Primary balance   | 7.2       | 7.6       | 7.5       | 7.0       | 6.5          |
| Budget balance  | -0.3      | -0.2      | 0.5       | 0.2       | 0.2          |
| Public sector balance   | 1.6       | 1.8       | 1.0       | -0.2      | 0.2          |
| Treasury bill rate (percent, end of period)   | 5.8       | 6.3       | 3.2       | 2.2       | ...          |
| <b>Debt Indicators</b>  |           |           |           |           |              |
| Public sector debt (EFF definition)   | 121.3     | 121.7     | 109.1     | 105.1     | 96.1         |
| Public sector debt (FRL definition)   | ...       | 113.6     | 101.1     | 98.7      | 93.3         |
| <b>International Reserves</b>   |           |           |           |           |              |
| Net international reserves (millions of U.S. dollars)   | 2690      | 2769      | 3075      | 2834      | 3170         |
| Gross international reserves in weeks of projected goods and non-factor services imports for the following year | 23.5      | 26.7      | 25.6      | 21.9      | 23.3         |

Sources: International Monetary Fund, October 2018 *World Economic Outlook*; and Bank of Jamaica.

Note: EFF: Extended Fund Facility; FRL: Fiscal Responsibility Law; (p): projected.



# SURINAME CONFRONTING CHALLENGES IN DIFFICULT TIMES

**Contributor:** Jeetendra Khadan

## Overview

**Suriname's economy continues its recovery since the 2015 commodity crisis.** Economic growth of 2.2 percent is expected for 2019, then averaging 2.4 percent over the medium term. Inflation has declined to low single digits alongside a stable exchange rate. The current account deficit declined from double digits to low single digits, and international reserves are gradually improving. Nevertheless, large fiscal imbalances and high debt levels persist. There has been some progress on the policy front with passage of legislation to establish a Savings and Stability Fund along with continued efforts to implement the value-added tax (VAT) in 2021 and undertake comprehensive tax reform and reforms to improve public financial and investment management.

**National elections are scheduled to be held on May 25 2020, as announced by the country's president during the last annual speech of this term of office.**

## Recent Developments

**Economic growth has been strengthening.** Economic growth was estimated at 2 percent in 2018 and is projected to reach 2.2 percent in 2019, according to the International Monetary Fund (IMF). Similarly, the overall monthly economic activity index (MEAI) of the Central Bank of Suriname (CBVS) grew 2.5 percent in the 12-month period to July 2019, compared to 4.9 percent for the same period in 2018.

**The State Debt Law has been amended.** In November 2019, the National Assembly approved amendments to the law that included increasing the ceiling on debt obligations by an additional 35 percent of GDP (effectively increasing the debt ceiling to 95 percent of GDP); removing/reducing (some) penalties for violation of the State Debt Law; and introducing a requirement for the Minister of Finance to present a debt management plan along with each annual budget that should indicate specific policies and plans for reducing the debt-to-GDP ratio.

**Fitch Ratings revised the country's rating outlook.** In August 2019, Fitch Ratings affirmed Suriname's long-term foreign currency issuer default rating at B- but revised the country's rating outlook from stable to negative. The negative outlook reflects Fitch's expectation that large government deficits and financing needs, in part reflecting spending pressures related to the elections in May 2020, will continue to increase the government debt ratios.

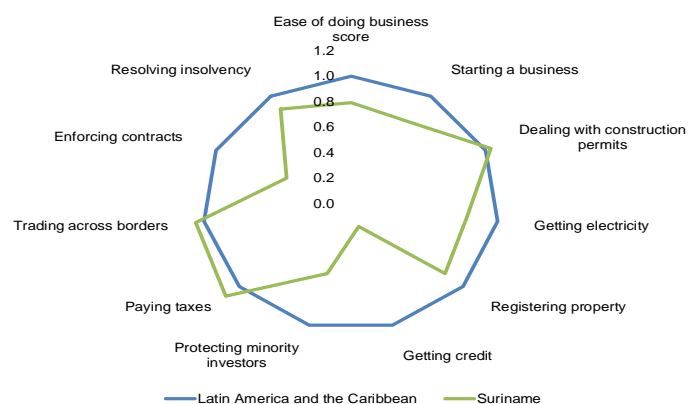
## Highlights

- Economic growth has returned to positive territory and is projected to reach 2.2 percent in 2019.
- Inflation declined to 4 percent in August 2019.
- International reserves improved in 2019.
- Primary deficit and debt remain relatively large.
- The State Debt Law was amended to increase the borrowing ceiling.
- The country's rating outlook was revised from stable to negative.
- National elections are scheduled for May 25, 2020.
- Suriname was ranked 162nd out of 190 countries in the World Bank's *Doing Business Report 2020*.

**Suriname is undertaking a National Risk Assessment (NRA).** In October 2019, experts from the Organization of American States and the Inter-American Development Bank trained members of working groups that will conduct the NRA. Discussions were also held with key stakeholders from the public and private sectors.

**Suriname was ranked 162nd out of 190 countries in the World Bank's *Doing Business Report 2020*.** Suriname improved in one area – registering property – compared to the previous year. This was due to improvements in the quality of its land administration system achieved by implementing a unique identification number for properties. However, Suriname regressed in two areas: dealing with construction permits and getting electricity. Relative to Latin America and the Caribbean (LAC), Suriname underperforms in getting credit, protecting minority investors, registering a property, getting electricity, starting a business, enforcing contracts, and resolving insolvency (Figure 1, values greater than one (1) indicate a better performance for Suriname compared to LAC).

**Figure 1. Doing Business Indicator Scores, 2020**



Source: World Bank, *Doing Business Report 2020*.



## SURINAME CONFRONTING CHALLENGES IN DIFFICULT TIMES

### Outlook

**The growth outlook continues to improve.** Following growth rates of 2 percent in 2018 and 2.2 percent in 2019, the IMF forecasts that real GDP growth will average 2.4 percent over 2020–2024. The improvement in the first half of 2019 as indicated by the MEAI was due to increased activity in manufacturing (due to an 8.4 percent increase in gold production) and wholesale and retail trade (due to increases of 25.3 percent, 18.9 percent, and 6.8 percent in sales of building materials and tools, heavy equipment, and food and non-alcoholic beverages, respectively).

**Inflation continues to decline.** Inflation fell to 4 percent in August 2019 from 6.2 percent in August 2018. Inflation deceleration was observed in sub-components related to transportation, communications, and alcoholic beverages and tobacco. Inflationary pressures could increase over the medium term on account of increased public sector wages and the proposed implementation of a VAT in 2021. The IMF forecasts that inflation will increase to 7.1 percent in 2019 and 8.3 percent in 2022 before declining to 4.4 percent by 2024.

**The unemployment rate continues to fall.** The IMF projects that the unemployment rate will fall to 7.3 percent in 2019 and gradually decline to about 5.2 percent by 2024. The unemployment rate had already declined from 9.7 percent in 2016 to 7.6 percent in 2017.

**The official nominal exchange rate has remained stable.** The bilateral U.S. dollar exchange rate has been relatively stable at US\$1:SRD7.5 since 2017, after a large devaluation in 2015–2016. However, the spread between the official exchange rate and an estimated parallel market rate is gradually increasing, with an estimated difference of 10.4 percent as of October 2019. The CBvS has been working on several initiatives to reduce the parallel market rate. In that regard, the CBvS benefited from a service agreement between the CBvS and the Federal Reserve of New York to import U.S. dollars (cash) into Suriname. The CBvS is also working on clearing off excess liquidity in the financial system and has indicated its intention to purchase 20 percent of the export value of local gold exporters in Surinamese dollars.

**Private sector credit remains weak.** Private sector credit declined from 38.1 percent of GDP in 2016 to 28.6 percent of GDP in 2018, as reported by the IMF. Also, data from the CBvS show that credit to the private sector in local currency declined by 1 percent in 2016, following annual increases averaging 15 percent over 2011–2015. However, a

recovery of 22 percent (year-over-year) was reported in August 2019. Credit to the private sector in U.S. dollars and euros has also declined significantly since 2015 and remains low. Credit in U.S. dollars declined by 7 percent in 2016 after average annual growth rates of 9 percent in the previous five years, and continued to decline by 14 percent year-over-year as of August 2019. Credit in euros slowed to 4 percent in 2016 compared to an average growth rate of 15 percent in the previous five years. By August 2019, private sector credit in euros had fallen by 10 percent (year-over-year) compared to the same period in 2018.

**Interest rates in local currency have changed marginally.** The average deposit interest rate in SRD decreased from 9.3 percent in August 2018 to 8.9 percent in August 2019. The average lending rate increased to 15.1 percent from 14.3 percent over the same period. There were marginal changes in lending and deposit rates in U.S. dollars and euros: the lending rate for U.S. dollars remained stable at 8.6 percent from August 2018 to August 2019, while the deposit rate fell from 3.1 to 2.7 percent over the same period. The lending rate for euros decreased from 8.7 percent in August 2018 to 7.9 percent in August 2019, and the deposit rate fell from 0.5 to 0.4 percent over the same period.

**Fiscal imbalances are expected to continue over the medium term.** Suriname had fiscal deficits averaging 9.1 percent of GDP over 2015 to 2018. The fiscal deficit for 2019 is projected to reach 9.8 percent of GDP, higher than the 8.5 percent deficit in 2018. Preliminary data for the first half of 2019 show a deficit of 5.7 percent of GDP. According to the IMF, the primary deficit for 2019 is projected to reach 6 percent of GDP. Fiscal deficits of 9.6 and 8.6 percent of GDP are projected for 2020 and 2021, respectively. They are then projected to decrease to 8 percent of GDP in 2024. The primary deficit is also projected to gradually fall to 3 percent of GDP by 2024.

**Financing from the CBvS to the government has recommenced.** The CBvS had ceased financing of the budget via a Memorandum of Understanding with the Ministry of Finance in 2016. However, the government cancelled the memorandum in March 2019 and received financing from the CBvS, which was reported to be in accordance with the Central Bank Act of Suriname. That act allows for the government to receive 10 percent of estimated current revenue in advances from the CBvS for the current fiscal year.

**Mining and crude oil revenues increased in the first quarter of 2019.** Total revenues as a percent of GDP



## SURINAME CONFRONTING CHALLENGES IN DIFFICULT TIMES

increased from 18 percent in 2016 to 23.1 percent in 2018. The revenue increase was largely due to an increase in mining revenues from 2.9 percent of GDP in 2016 to 8.3 percent of GDP in 2018. Preliminary data for the first quarter of 2019 show an increase in mining revenues of 14.2 percent (year-over-year).

**Government expenditure has picked up in the past few years.** Data from the Ministry of Finance show that total expenditure as a percent of GDP declined from 30 percent in 2015 to 27.8 percent in 2016. The expenditure reductions were mainly in goods and services and wages and salaries. However, expenditures increased to 31.6 percent of GDP in 2018. Increases in spending were observed in subsidies and transfers (63 percent), capital spending (60.4 percent), and wages and salaries (16.2 percent). Preliminary data for the first half of 2019 show a further increase in expenditure – largely due to higher wages and salaries, goods and services and capital expenditure – of almost 4 percent of GDP, compared to the first half of 2018.

**Central government debt is expected to increase in 2019.** Suriname's debt-to-GDP ratio more than doubled in the last four years from 26.3 percent in 2014 to 73 percent in 2018, and it is expected to reach 75.6 percent at the end of 2019, according to the IMF. As of August 2019, external debt was estimated at 46.3 percent of GDP while domestic debt was 25.4 percent of GDP.

**The current account deficit increased in the last year.** While the deficit fell from 16.4 percent of GDP in 2015 to about zero in 2017 – a result of an improvement in the terms of trade, and higher gold exports – by the end of June 2019 the current account deficit was US\$207.8 (5.5 percent of GDP) compared to US\$4.3 million (almost zero) for the same period in 2018. The larger deficit reflected a lower merchandise trade balance arising mainly from decreased mining exports and higher imports. Mining exports declined by 1.2 percent of GDP from 2018:Q2 to 2019:Q2, while merchandise imports increased by 1.2 percent of GDP over the same period. The services and income accounts reported deficits of 6.1 and 5.4 percent of GDP, respectively, higher than what was reported for the same period in 2018. The surplus for the current transfers account declined from 1.7 percent of GDP in 2018:Q2 to 1.2 percent of GDP in 2019:Q2.

**International reserves improved in 2019.** While international reserves declined by 47 percent from 2014 to 2015, reaching 1.5 months of imports, they have since improved to US\$688.3 million at the end of October 2019 (roughly 3.5 months of imports of goods and services).

These improvements were the product of an improvement in the current account balance; increased government external borrowing; and inflows from external borrowing transactions of Staatsolie that allowed an early repayment of a large liability to the government.

### Conclusion

**Macroeconomic performance is gradually improving in some key areas, but there are challenges to containing large fiscal deficits and high debt ratios.** Suriname is expected to record economic growth for a third consecutive year after a deep recession in 2015–2016. Moreover, inflation has declined to low single digits, unemployment has fallen, the official exchange rate has stabilized, the current account deficit has declined from double digits, and international reserves are gradually improving. Most of these improvements are related to developments in the mining and crude oil sectors. The main challenge facing the country in the short term relates to reducing the large fiscal deficit and high debt-to-GDP ratio. This challenge is further compounded by the deferral of fiscal reforms to post-2020 and the recent increase in the country's borrowing ceiling.

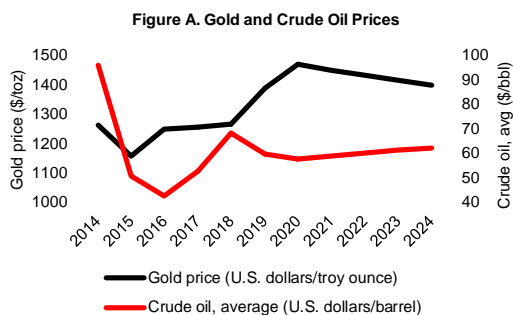
**The authorities are pursuing a reform program to strengthen the fiscal framework.** One of the main achievements to date has been passage in 2017 of legislation to establish the country's first Savings and Stability Fund, which is expected to become operational at the end of 2019. Substantial preparatory steps have been taken to implement a VAT. Work on introducing a public investment management system and a Public-Private Partnership Unit in the Ministry of Finance is expected to commence in the medium term. The authorities are also moving in the right direction to strengthen the Anti-Money Laundering/Counter Terrorist Financing Framework. The abovementioned measures, once implemented, could help improve broader macroeconomic management and economic stability.



# SURINAME

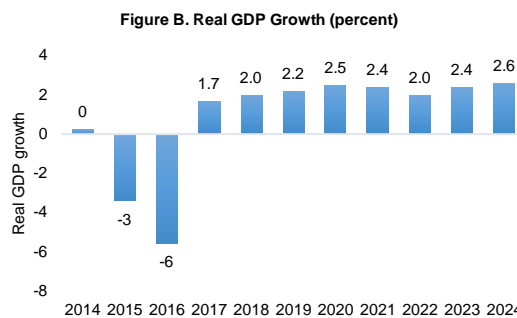
# SNAPSHOT OF THE ECONOMY

Commodity prices (and production) expected to improve...



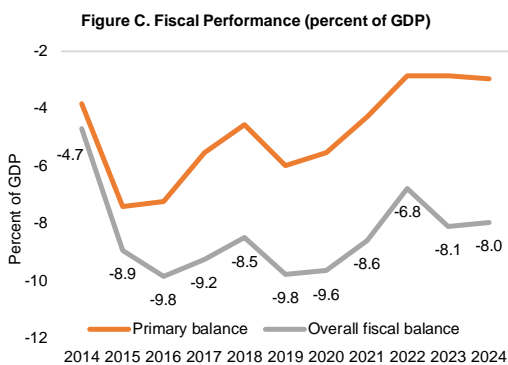
Source: World Bank, Commodities Price Data (The Pink Sheet). Available at <http://www.worldbank.org/en/research/commodity-markets>.

and support real GDP growth over the medium term.



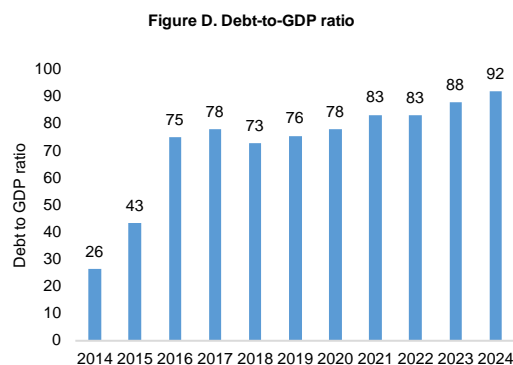
Sources: General Bureau of Statistics, Suriname; and International Monetary Fund, October 2019 World Economic Outlook.

Large fiscal deficits to continue...



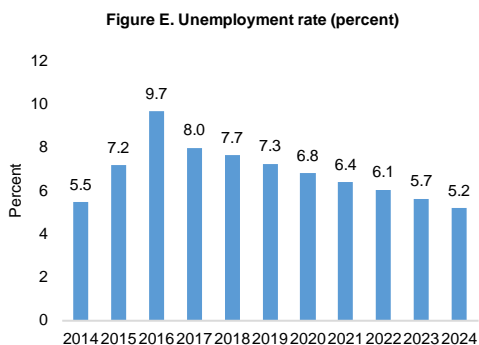
Source: International Monetary Fund, October 2019 World Economic Outlook.

...and financing them through additional borrowing increases debt.



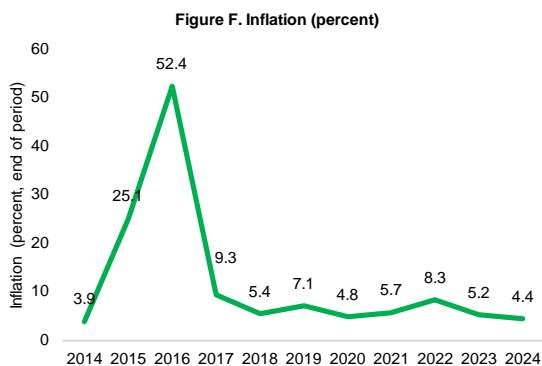
Sources: Suriname Debt Management Office; and International Monetary Fund, October 2019 World Economic Outlook.

The unemployment rate is expected to decline...



Source: International Monetary Fund, October 2019 World Economic Outlook.

...and inflation is expected to remain in single digits.



Source: International Monetary Fund, October 2019 World Economic Outlook.



# SURINAME

## Suriname: Selected Economic Indicators, 2014–2019

|  | 2014 | 2015  | 2016 | 2017 | 2018 | 2019 |
|--|------|-------|------|------|------|------|
| Annual percent changes, unless elsewhere specified |      |       |      |      |      |      |
| <b>Real Sector</b>                                 |      |       |      |      |      |      |
| Real GDP   | 0.3  | -3.4  | -5.6 | 1.7  | 2.0  | 2.2  |
| Inflation  | 3.9  | 25.1  | 52.4 | 9.3  | 5.4  | 7.1  |
| Nominal GDP  | 1.8  | -5.4  | 20.6 | 16.5 | 11.3 | 11.4 |
| Unemployment rate                                  | 5.5  | 7.2   | 9.7  | 8.0  | 7.7  | 7.3  |
| In percent of GDP, unless elsewhere specified      |      |       |      |      |      |      |
| <b>Central Government</b>                          |      |       |      |      |      |      |
| General government revenue                         | 21.7 | 21.1  | 18.0 | 22.2 | 23.1 | 25.8 |
| General government expenditure                     | 26.4 | 30.0  | 27.8 | 31.5 | 31.6 | 35.6 |
| Overall fiscal balance                             | -4.7 | -8.9  | -9.8 | -9.2 | -8.5 | -9.8 |
| Primary fiscal balance                             | -3.8 | -7.4  | -7.2 | -5.5 | -4.5 | -6.0 |
| <b>External Sector</b>                             |      |       |      |      |      |      |
| Exports of goods and services                      | 45.0 | 38.8  | 51.3 | 71.5 | 67.2 | n.a. |
| Imports of goods and services                      | 52.9 | 56.3  | 54.4 | 60.0 | 62.3 | n.a. |
| Current account balance                            | -7.9 | -16.4 | -5.4 | -0.1 | -5.5 | -5.7 |
| International reserves (millions of U.S. dollars)  | 625  | 330   | 381  | 424  | 581  | 715  |
| International reserves (in months of imports)      | 2.7  | 1.7   | 3.2  | 2.8  | 3.3  | 3.8  |
| <b>Central Government Debt<sup>1</sup></b>         |      |       |      |      |      |      |
| Central government gross debt, domestic            | 10.9 | 22.0  | 19.2 | 23.4 | 22.6 | 25.4 |
| Central government gross debt, foreign             | 15.5 | 18.3  | 54.1 | 54.8 | 50.5 | 46.3 |
| <b>Memorandum Items</b>                            |      |       |      |      |      |      |
| Gold (U.S. dollar/troy oz)                         | 1266 | 1161  | 1249 | 1258 | 1269 | 1390 |
| Crude oil, average (U.S. dollars per barrel)       | 96   | 51    | 43   | 53   | 68   | 60   |
| Exchange rate (SRD per U.S. dollar, end of period) | 3.3  | 4.0   | 7.4  | 7.5  | 7.5  | 7.6  |

Sources: Country authorities; International Monetary Fund, October 2019 World Economic Outlook; World Bank, Commodities Price Forecast.

1. refers to September 2019.

Note: n.a.: not available.

Contributor: Lodewijk Smets

## Overview

**Important developments are ahead for Trinidad and Tobago.** A slowdown in global growth may test the resilience of the country's economy. Global growth is forecast at 3 percent for 2019, the lowest level since 2008–2009. This may negatively affect Trinidad and Tobago's economy through lower energy demand and prices. On the production side, the country's oil and gas output has stabilized, and prospects exist to develop the northern gas provinces. Greater government expenditure may add immediate impetus to the economy, but expansionary policies need to be balanced with debt sustainability considerations. Meanwhile, interest rate differentials are decreasing but remain negative, which may lead to capital outflows. In the political arena, national elections are scheduled for 2020.

## Recent Developments

**The current budget includes expenditure increases.** For the current fiscal year (FY2019/2020), which is the final budget of the current administration, an overall deficit of 3.1 percent is budgeted, driven mostly by increased spending, including the clearing of value-added-tax returns, increases in pension benefits and minimum wages, and large infrastructure works. Given the difference between the budgeted gas price of US\$ 3 per 1 million British thermal units (MMBtu) and the current gas price of US\$ 2.36 MMBtu, it remains to be seen whether fiscal targets will be met.

**Prospects exist to develop the northern gas provinces.** BHP, one of the major oil and gas companies operating in Trinidad and Tobago, has indicated that it discovered 3.5 trillion cubic feet of gas in the northern deep-water area of the country, with potential upside. The company is now starting development studies and – depending on a final investment decision – could start production in 2026. If deemed economically viable, production from the deep-water fields could add 1.5 billion cubic feet on a daily basis.

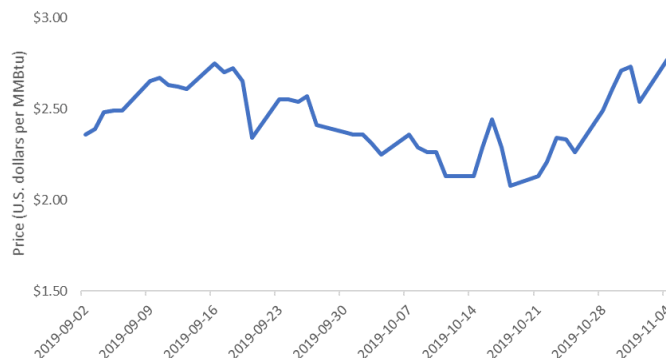
**Natural gas prices have increased, while gas production has dropped.** The price of natural gas increased from US\$2.60 per 1 MMBtu in early May to US\$2.80 in early November, an 8 percent increase over a six-month period (Figure 1). The price jump is partly explained by a demand increase due to adverse weather conditions. Gas output reached an average of 3.6 billion cubic feet per day in the

## Highlights

- A slowdown in global growth may test the resilience of the economy of Trinidad and Tobago.
- Prospects exist to develop deep-water gas fields that could substantially add to the country's production of natural gas.
- Expansionary fiscal policies may provide a stimulus, at the cost of additional borrowing.
- Short-term interest rate differentials are decreasing but remain negative.

second quarter of 2019, down from 3.8 billion cubic feet per day in the first quarter. Oil production remained relatively stable at around 59,000 barrels a day throughout the year.

Figure 1. Natural Gas Price (U.S. dollars)



Source: U.S. Energy Information Administration.  
Note: MMBtu: British thermal units.

## Economic Outlook

**GDP is expected to remain constant.** The International Monetary Fund (IMF) estimates that real GDP for Trinidad and Tobago will remain relatively constant, but with negligible growth of 0.01 percent.<sup>1</sup> This figure was revised downward from 0.9 percent at the start of the year. However, the growth estimates for 2019 have been volatile and wide-ranging. The World Bank has amended its growth estimate upward for 2019 from -0.5 percent to +0.9 percent, while the Central Statistics Office expects growth of 1.9 percent. For 2018, the IMF altered its growth estimate downward from 1 to 0.3 percent.

<sup>1</sup>The IMF has yet to undertake its Article IV mission to Trinidad and Tobago in 2019. Therefore, an in-depth external update of Trinidad and Tobago's growth figures is not yet available.



**Real growth is expected to pick up from 2020 onward.**

The IMF projects that the economy will expand by 1.5 percent in 2020, 3 percent in 2021, 2 percent in 2022, and 1.6 percent for 2023. These figures were made based on the assumptions of favourable natural resource production and the natural gas price steadying at around US\$2.70 per MMBtu. However, British Petroleum Trinidad and Tobago (BPTT), the largest national natural gas producer, announced that four of the infill wells it drilled were empty. As a result, its natural gas production is projected to drop 15 to 20 percent (300 million cubic feet) in 2020 and 2021. This may negatively affect the country's growth outlook.

**Public sector debt has stabilized, and debt distress will be negligible in the short term.**

Since 2017, public debt has increased only slightly relative to GDP. At the end of 2018, total public debt stood at 62.2 percent of GDP, up from 61.2 percent at the end of 2017. During the first six months of 2019 public debt stabilized at 62 percent. The risk of short-term debt distress is limited because the country has sizable assets in its Heritage and Stabilization Fund (amounting to 42 percent of total public debt) and liquid holdings in sinking funds (about 4 percent of GDP) to cover principal payments. Furthermore, at the end of 2018, the average time to maturity of central government debt was 7.46 years.

**A moderate fiscal deficit is expected for the current fiscal year.**

The fiscal outturn for FY2018/2019 turned out better than expected, with a deficit of 2.4 percent of GDP instead of the 2.8 percent that was projected during the mid-term review in May 2019. However, this is mostly due to one-off revenues such as settlements by Shell and BP and a much-larger-than-expected tax amnesty (TTD\$2.4 billion instead of TTD\$500 million). For the current fiscal year (FY2019/2020), an overall deficit of 3.1 percent is budgeted, driven mostly by expenditure increases such as increases in pension benefits and minimum wages and large infrastructure works. While greater government expenditure may add immediate impetus to the economy, expansionary policies need to be balanced with debt sustainability considerations.

**The current account surplus has narrowed.**

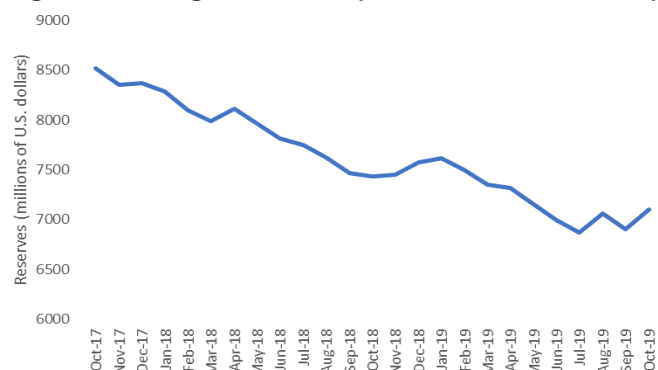
In 2018, despite an increase in energy sector earnings, the current account surplus narrowed to 5.1 percent of GDP from 5.5 percent the previous year. Meanwhile, the financial account recorded a net inflow due to large other investments. It is important to note that the large negative errors and omissions – on average 11 percent of GDP over the past five years – make it difficult to accurately analyse and forecast the external accounts.

**Inflation remains tame.** Headline inflation was just 1.1 percent in September 2019, and the IMF projects inflation will be 1.1 percent for the year, the same level the Central Bank of Trinidad and Tobago reported for 2018. This is down from 1.3 percent and 3.1 percent for 2017 and 2016, respectively. Year-over-year core inflation stood at 1 percent as of September 2019, down from 1.4 percent a year earlier. These rates have stayed low as a result of weak aggregate demand.

**Foreign reserves have stabilized but not recovered (Figure 2).**

In July 2019, foreign reserves reached a low point at US\$6.71 billion, corresponding to 7.7 months of import cover. Since then, reserves bounced back to US\$7.1 billion in October 2019. This stabilization has mainly occurred as a result of large energy investments and tax reforms. However, volatility in gas prices and concentrated foreign direct investment in the energy sector may affect foreign reserves in the medium term.

**Figure 2. Foreign Reserves (millions of U.S. dollars)**



Source: Central Bank of Trinidad and Tobago.

**Labour market conditions have deteriorated since the last official data were reported.**

The latest available data from the Central Statistics Office indicate that unemployment stood at 4.4 percent in the fourth quarter of 2017. Provisional data suggest that job losses extended into 2018 and 2019. For instance, the Ministry of Labour recorded 1,617 lay-offs in 2018, compared to 1,137 retrenchments in 2017. More recently, during the period from January to August 2019, 834 persons were retrenched.

**Short-term interest rate differentials are decreasing but still negative, having narrowed since the start of 2019.**

A decrease of 78 basis points in the discount rate from 2.4 to 1.62 percent on the U.S. 91-day Treasury bill is chiefly responsible. Meanwhile, the discount rate on Trinidad and Tobago's 91-day Treasury bill remained constant at around



## TRINIDAD AND TOBAGO

## THE ROAD AHEAD

1.2 percent, 57 basis points below the current U.S. rate. Even though the differential is narrowing, it could incite domestic investors to redirect investments abroad.

**The policy rate of the Central Bank of Trinidad and Tobago has remained unchanged despite large differentials.** From December 2015 until June 2018, the Central Bank maintained its main policy rate stable at 4.75 percent. Changing internal and external conditions – including a pick-up in domestic growth and the normalization of global monetary policy – prompted the Central Bank to raise the repo rate from 4.75 to 5 percent in June 2018. Since then, the bank has kept the policy rate unchanged. Given that short-term interest rate differentials are sustained, there is a need for the Central Bank to carefully analyse international and domestic developments.

**Credit agency ratings are slowly converging.** In April 2018, Standard and Poor's retained Trinidad and Tobago's long-term sovereign credit rating at investment-grade level (BBB+). In July 2019, however, it downgraded the country's credit rating to BBB with a stable outlook, citing lower-than-expected energy production, delays in institutional reforms and a weakened government revenue base. In 2017, Moody's graded sovereign bonds as Ba1, which implied the loss of investment-grade status. Since then, Moody's has kept its credit rating stable. In justifying its decision, Moody's emphasized the country's large financial buffers and significant reserves as strengths.

### Policy Outlook

**Trinidad and Tobago has room to improve its competitiveness.** The country was ranked 105th out of 190 countries in the World Bank's *2019 Doing Business Report*. The Doing Business indicators show that Trinidad and Tobago scores better than the Latin America and Caribbean average but is trailing Jamaica. The main areas in need of improvement are paying taxes, registering property, and enforcing contracts. On the other hand, with respect to the rest of the Caribbean, Trinidad and Tobago performs better in getting electricity and protecting minority investors. However, it underperforms in dealing with construction permits, registering property, paying taxes, trading across borders, and enforcing contracts. The IDB is providing support to address some of these issues.

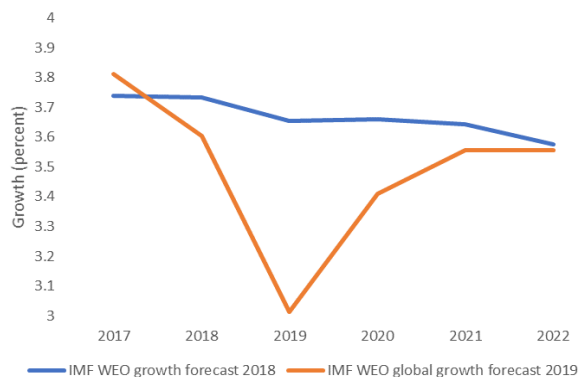
**Expansionary fiscal policy may have long-term costs.** The government is planning to institute a number of measures in the short term to bolster aggregate demand. While economic stimulus may bring short-term benefits, prudence is required because debt sustainability needs to be considered, especially given the country's dependence on the volatile energy sector. Therefore, the government should seek public investments with high social and economic returns.

# TRINIDAD AND TOBAGO SHAPSHOT OF THE ECONOMY



*A slowdown in global growth...*

**Figure A: IMF Global Growth Forecasts 2018 vs 2019 (Percent)**



Source: International Monetary Fund, October 2018 and October 2019, World Economic Outlook

*... may test the resilience of Trinidad and Tobago's economy.*

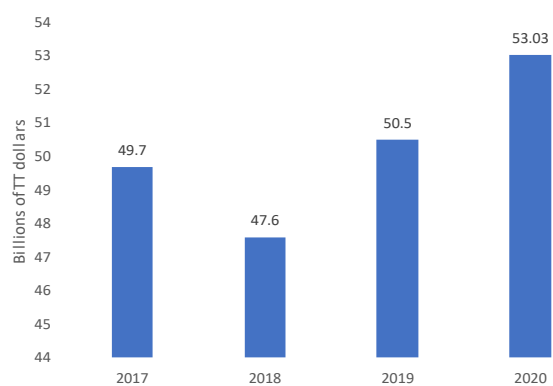
**Figure B: IMF Growth Forecasts for Trinidad and Tobago (Percent)**



Source: International Monetary Fund, October 2018 and October 2019, World Economic Outlook  
Note: e: estimate

*Increased government spending...*

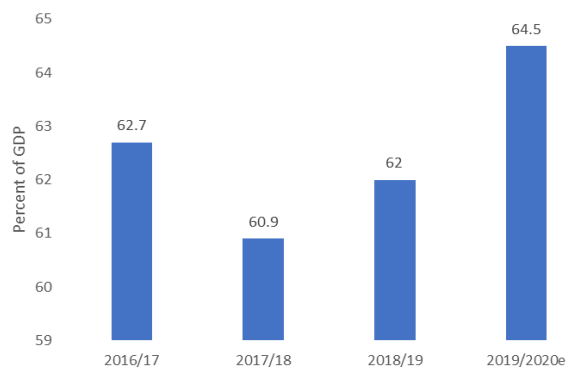
**Figure C: Government Expenditure (Billions of TT dollars)**



Source: T&T Budget statements

*... may lead to rising debt levels.*

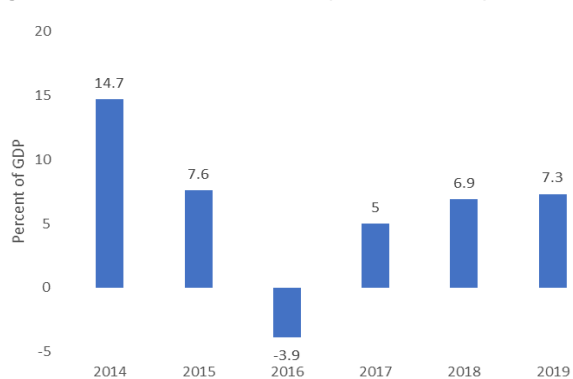
**Figure D: Total Public Sector Debt (Percent of GDP)**



Source: Central Bank of Trinidad and Tobago  
Note: e: estimate

*A strong performance on the current account...*

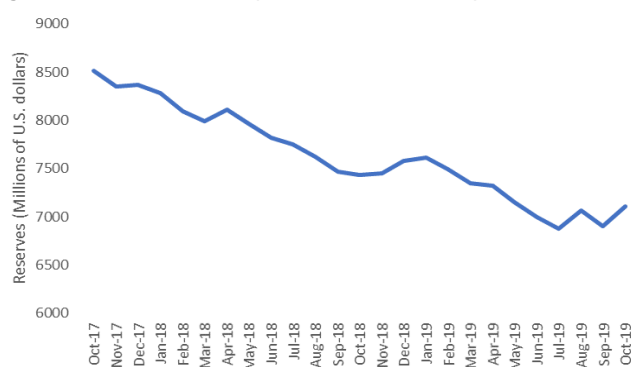
**Figure E: Current Account Balance (Percent of GDP)**



Source: Central Bank of Trinidad and Tobago

*...may lead to a recovery of foreign reserves.*

**Figure F: Official Reserves (Millions of U.S. dollars)**



Source: Central Bank of Trinidad and Tobago

# TRINIDAD AND TOBAGO

## Trinidad and Tobago: Selected Economic Indicators, 2014–2019

|   | 2014   | 2015  | 2016   | 2017   | 2018  | 2019 |
|---|--|-------|--------|--------|-------|------|
|   | (Annual percentage change, unless otherwise specified) |       |        |        |       |      |
| <b>Real Sector and Prices</b>                     |  |       |        |        |       |      |
| Real GDP  | -1.2   | 1.7   | -6.1   | -2.6   | 0.3   | 0    |
| Nominal GDP (billions of TT dollars)              | 176  | 175.7 | 164.1  | 148.8  | 156.4 | 164  |
| Inflation, average consumer prices                | 5.7  | 4.7   | 3.1    | 1.9    | 1     | 0.9  |
| Unemployment                                      | 3.3  | 3.4   | 3.9    | 4.8    | 4.9   | 4.8  |
| <b>External Sector</b>                            |  |       |        |        |       |      |
|   | (In percentage of GDP, unless otherwise specified)     |       |        |        |       |      |
| Exports of goods and services                     | 47.4   | 56.3  | 47.9   | 46.9   | 44.3  | 51.2 |
| Imports of goods and services                     | 43.6   | 49.7  | 54.3   | 50.3   | 46    | 42.8 |
| Current account balance (percent of GDP)          | 14.7   | 7.6   | -3.9   | 5      | 6.9   | 7.3  |
| International reserves (millions of U.S. dollars) | 11497.1  | 9933  | 9465.8 | 8369.8 | 7575  | 6976 |
| International reserves cover (months)             | 12.9   | 11.2  | 10.5   | 9.7    | 8     | 7.8  |
|   | (In percent of fiscal year GDP)                        |       |        |        |       |      |
| <b>Public Sector</b>                              |  |       |        |        |       |      |
| Total revenue                                     | 33.2   | 35.7  | 29.9   | 24.2   | 27    | 28.1 |
| Total expenditure                                 | 35.7   | 37.4  | 35.2   | 33.3   | 30.4  | 30.5 |
| Central government primary balance                | -0.7   | 0.4   | -2.8   | -6.1   | -1    | -1.7 |
| Central government overall balance                | -2.5   | -1.7  | -5.3   | -9.1   | -3.4  | -2.4 |
| <b>Debt Indicators</b>                            |  |       |        |        |       |      |
| General government debt                           | 42   | 53.8  | 59.3   | 62.7   | 60.9  | 62   |
| Central government debt                           | 24.1   | 28.9  | 38.4   | 43     | 42.8  | 42.9 |
| External debt                                     | 11.7   | 8.4   | 14.4   | 15.7   | 17    | 16.9 |

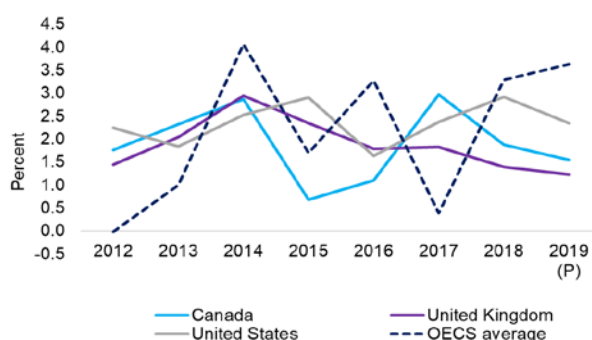
Source: International Monetary Fund and Central Bank of Trinidad and Tobago

**Contributor:** Kimberly Waithe

## Overview<sup>1</sup>

Despite a backdrop of increasing global economic uncertainty, positive economic growth prospects are expected for the Organisation of Eastern Caribbean States (OECS) region. Uncertainties in key advanced economies have contributed to a slowdown in global real GDP growth, which is estimated to decline to 3 percent in 2019, following rates of 3.8 percent in 2017 and 3.6 percent in 2018.<sup>2</sup> Despite these developments, short-term prospects for the OECS region remain positive, driven largely by tourism and construction activity, and supported by the auxiliary sectors (Figure 1). In addition, growth is likely to be boosted by inflows of foreign direct investment (FDI) through Citizenship by Investment (CBI) programs in some countries. Policies directed towards fiscal consolidation and debt reduction will continue amid higher capital spending as work on infrastructure projects advances. Inflationary pressures are expected to remain contained due to a forecast moderation in international oil and food prices.

**Figure 1. Real GDP Growth in the OECS and Its Main Trading Partners (percent)**



Sources: Eastern Caribbean Central Bank, and International Monetary Fund, October 2019 *World Economic Outlook*.

Note: OECS: Organisation of Eastern Caribbean States; (P): projected.

## Recent Developments

Preliminary data for the first six months of 2019 suggest an improvement in economic activity in the OECS. The region saw improved performances in its key sectors, including tourism and related activities, and in

<sup>1</sup> This bulletin focuses on developments in the independent member countries of the OECS: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Vincent and the Grenadines, and St. Lucia. Figures exclude territories that are members of the OECS.

<sup>2</sup> According to the International Monetary Fund, October 2019 *World Economic Outlook*.

## Highlights

- Economic growth prospects are likely to remain positive, with real GDP growth expected to average above 3 percent for the OECS region at the end of 2019.
- Inflation is expected to remain subdued over the medium term, with the projected continuation of low international oil prices.
- Reforms to address the challenges in the business climate would be key going forward.

construction. In particular, tourism activity expanded in the first half of 2019, as visitor arrivals increased by 6.2 percent over arrivals during the first semester of 2018 (Table 1). Long-stay visitor arrivals grew by 11 percent, as the OECS region saw a pickup in arrivals from its main trading partners. Arrivals from Canada, the United States, and the United Kingdom grew by 6.9 percent, 9.1 percent and 9.8 percent, respectively. The cruise passenger segment, which accounts for around 75 percent of total visitor arrivals, grew by 5 percent. A key contributor to the improved outturn in cruise passenger arrivals was Dominica, which witnessed a rebound in tourism following the devastating impact of the 2017 hurricane season. Total visitor expenditure for the OECS region is estimated to have increased from US\$1,114 million in the first half of 2018 to US\$1,248 million by end-June 2019.

**Table 1. Tourism Statistics, January-June 2019 (percent change compared to January-June 2018)**

| Country                        | Total Visitors | Long-Stay Visitors | Cruise Ship Passengers | Total Visitor Expenditure |
|--------------------------------|----------------|--------------------|------------------------|---------------------------|
| Antigua and Barbuda            | -4.1           | 11.4               | -8.8                   | 12.9                      |
| Dominica                       | 311.9          | 68.5               | 759.6                  | 96.3                      |
| Grenada                        | 1.4            | 3.8                | 0.4                    | 3.0                       |
| St. Kitts and Nevis            | 0.2            | 11.9               | -1.0                   | 23.5                      |
| St. Lucia                      | 2.0            | 6.5                | 1.0                    | 6.6                       |
| St. Vincent and the Grenadines | 8.1            | 7.7                | 6.5                    | 15.0                      |
| <b>OECS</b>                    | <b>6.2</b>     | <b>11.0</b>        | <b>5.0</b>             | <b>12.0</b>               |

Source: Eastern Caribbean Central Bank.

Note: OECS: Organisation of Eastern Caribbean States

**Consumer prices rose in June 2019 for most countries in the region.** The highest inflation rates at the end of June 2019 were in Dominica and Antigua and Barbuda, reaching 2.1 percent and 1.3 percent, respectively.<sup>3</sup> In Dominica, inflationary pressures were largely due to increases in the prices of hotels and restaurants (by 7.6 percent) and housing, utilities, gas and fuels (by 5.5 percent). In Antigua and Barbuda, higher price indexes were driven by clothing and footwear

<sup>3</sup> This is on an end-of-period basis comparing June 2019 with June 2018.

and food. At the same time, Grenada, St. Lucia, and St. Vincent and the Grenadines recorded inflation rates below 1 percent. In St. Kitts and Nevis, consumer prices fell by 0.4 percent on an end-of-period basis at the end of the first six months of 2019.

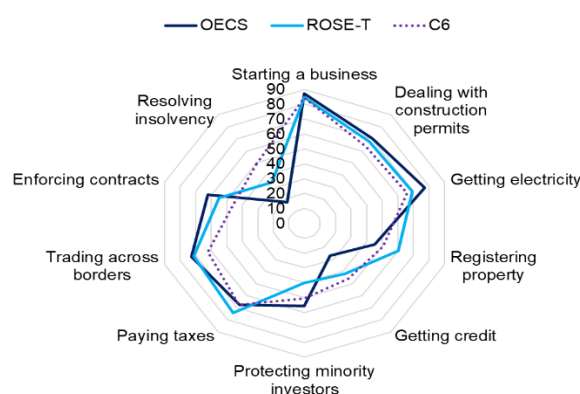
**The fiscal position was mixed for the OECS countries at the close of June 2019.** The fiscal stance improved in Grenada and St. Kitts and Nevis, which recorded larger overall surpluses. In Grenada, the overall surplus increased from US\$25.2 million at end-June 2018 to US\$32.9 million at end-June 2019. Fiscal policy in Grenada continues to be guided by the Fiscal Responsibility Law. Similarly, St. Kitts and Nevis witnessed an overall surplus (after grants) of US\$69 million in the first six months of 2019, compared to a surplus of US\$39 million a year earlier. This outturn was bolstered by non-tax revenue, which includes receipts from the CBI Program, which grew by 54 percent as of the end of June 2019. At the same time, St. Lucia reported a surplus of US\$3.3 million compared to a deficit of US\$2.8 million in the similar period in 2018.<sup>4</sup> Dominica's overall deficit stood at US\$63 million at end-June 2019 compared to US\$28 million a year earlier, primarily led by an uptick in total expenditure. Antigua and Barbuda and St. Vincent and the Grenadines recorded higher deficits at the end of June 2019.

**The financial sector in the OECS region continues to be highly liquid and have adequate capital buffers, but private credit remains subdued.** Among the OECS countries, the ratio of liquid assets to short-term liabilities ranged from 40.5 percent in St. Lucia to 66.5 percent in St. Kitts and Nevis as of end-June 2019. At the same time, the ratio of loans and advances to deposits for the region reached 59 percent, well below the Eastern Caribbean Central Bank's (ECCB) maximum benchmark of 75 to 85 percent. St. Vincent and the Grenadines and Antigua and Barbuda recorded the highest capital adequacy ratios at 23 percent and 37 percent, respectively. Despite the high level of liquidity in the banking system, asset quality among financial institutions remains a concern. With the exception of Grenada (2.4 percent), the ratio of non-performing loans to gross loans across the region remains above the 5 percent prudential limit. At the same time, accessing credit remains a challenge in the OECS region. Throughout the currency union, credit to the private sector grew marginally by 0.3 percent as of the end of the first half of 2019.

<sup>4</sup> The data for St. Lucia is up to March 2019.

**The World Bank's 2020 *Doing Business Report* suggests that there is room for improvement.** St. Lucia was ranked highest among the OECS countries at 93rd out of 190 countries worldwide, while St. Kitts and Nevis and Grenada had the lowest rankings at 139th and 146th, respectively. At the same time, the distance to frontier indicator ranged from 53.4 in Grenada to 63.7 in St. Lucia.<sup>5</sup> A disaggregation of the ease of doing business score points to challenges in accessing credit, registering property and weak insolvency frameworks, as the OECS region is ranked below the ROSE-T and C-6 countries in these areas (Figure 2).<sup>6</sup> Particularly with regard to getting credit, the countries in the region record scores ranging between 25 and 30.

**Figure 2. Doing Business Indicator Scores, 2020**



Source: World Bank, *Doing Business Report 2020*.  
 Note: C-6: The Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago, and Suriname; OECD: Organisation for Economic Co-operation and Development; ROSE-T: rest of the small economies in the world that are dependent on tourism.

### Economic Outlook

**Short-term economic prospects remain positive, though with heterogeneity across OECS member countries.** Growth in the OECS region in 2019 is projected to average around 3.6 percent, compared to 3.3 percent a year earlier. This outturn reflects an expected pickup in tourism and construction activity and support from growth in ancillary economic sectors, namely wholesale and retail trade, and transport, storage and

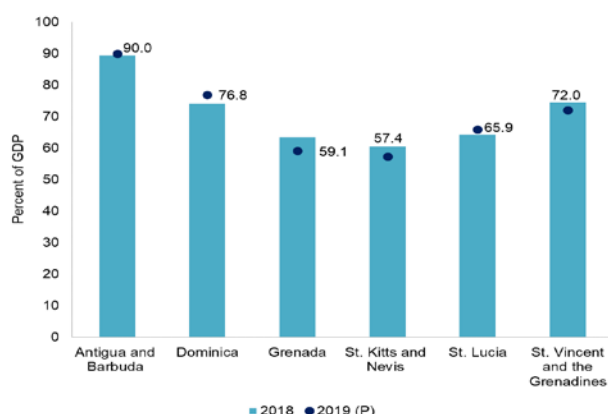
<sup>5</sup> An economy's distance to the frontier is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 the best performance.

<sup>6</sup> The C-6 is comprised of The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago. ROSE-T refers to the rest of the small economies in the world that are dependent on tourism.

communications. The construction sector is forecast to be bolstered by public sector reconstruction and rehabilitation activities and private sector projects. In addition, growth is likely to be boosted by FDI inflows by way of CBI programs. Dominica and Antigua and Barbuda are expected to record strong performances, with real GDP growth rates of around 9 percent and 4.4 percent, respectively. A rebound in tourism and a pickup in agriculture, manufacturing, and construction activity is expected to drive growth in Dominica. Real GDP growth is expected to reach 3.6 percent at the end of 2019 in St. Kitts and Nevis compared to 2.9 percent in 2018, reflecting expected robust tourism activity and supported by the manufacturing and transport, storage, and communications sectors. The ECCB indicates that real GDP in Grenada will likely expand at a more moderate pace (3 percent) in 2019 as FDI-related construction activity slows. Lower growth prospects are estimated for St. Vincent and the Grenadines (0.3 percent) and St. Lucia (1.4 percent).

**Debt levels across the OECS countries are projected to reach an average of 70 percent of GDP in 2019.** However, prospects remain relatively uneven across countries. St. Kitts and Nevis (57.4 percent) and Grenada (59.1 percent) are projected to have debt-to-GDP ratios below the ECCB's 60 percent of GDP target at the end-2019 (Figure 3). These countries have benefited from their respective International Monetary Fund (IMF) programs. On the other hand, Dominica and Antigua and Barbuda are projected to record the highest debt levels as a share of GDP at 77 percent and 90 percent, respectively.

**Figure 3. General Government Gross Debt, 2018–2019 (percent of GDP)**



Sources: International Monetary Fund, October 2019 *World Economic Outlook*.

Note: (P): projected.

**The fiscal outturn is expected to vary in the region.**

The IMF projects that St. Kitts and Nevis and Grenada will record overall surpluses of 7.2 percent and 3.9 percent of GDP at the end of 2019, respectively. St. Kitts and Nevis is expected to benefit from a general pickup in economic activity, CBI program revenue, and lower overall spending. In Dominica, the overall balance is projected to be -7.9 percent of GDP at the end of 2019, mainly due to higher capital expenditure associated with rebuilding activities. Antigua and Barbuda is expected to record an overall balance similar to the previous year at -4.2 percent of GDP at the end of 2019. A lower fiscal deficit for 2019 is anticipated for St. Vincent and the Grenadines (-1.7 percent of GDP). In contrast, St. Lucia's overall balance is expected to increase to reach -2.2 percent of GDP in 2019, led by anticipated higher levels of expenditure.

**The external current account deficit is likely to remain elevated for the region in 2019.**

The current account deficit is projected to remain above -10 percent of GDP at the end of 2019 on account of high import payments, mainly due to the commencement of and continued work on major construction projects, as well as reconstruction efforts. Consumer price inflation is likely to remain subdued, averaging below 2 percent, as global oil prices are expected to moderate in 2019.

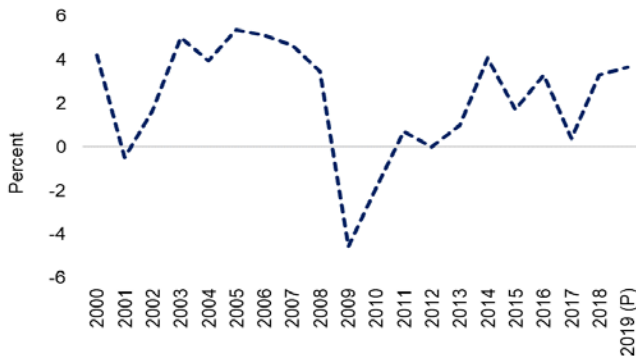
**Conclusion**

**While the economic outlook for the rest of 2019 is broadly positive, downside risks remain.**

Major risks include the anticipated lower global growth forecast mainly originating from advanced economies. Disruptions to the economies of major source markets, namely the United States, United Kingdom, and Canada, could potentially have adverse implications on tourism demand and investment flows in the region. At the same time, OECS countries remain highly vulnerable to natural disasters. On the domestic side, continuous fiscal deficits, which increase financing needs, may limit the ability of the authorities to carry out key growth-enhancing capital projects. Increased efforts geared towards strengthening fiscal and debt dynamics will be key for the region going forward. In addition, it is important for the OECS to establish buffers to safeguard against adverse external shocks and strengthen resilience to natural disasters. Implementing key reforms and strengthening institutions to address the shortfalls in the business climate should be a priority.

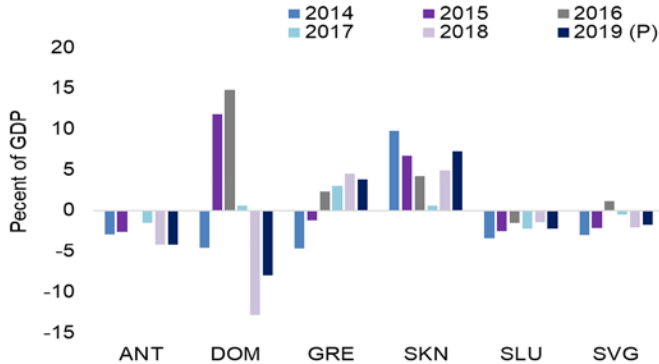
Improved economic activity is expected in the OECS countries...

**Figure A. Real GDP Growth in the OECS (percent)**



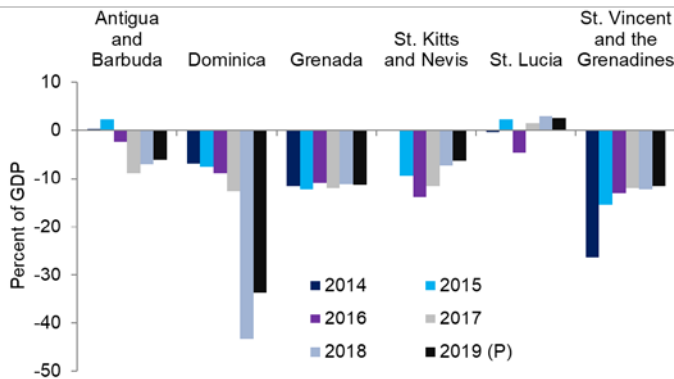
The fiscal position is mixed...

**Figure C. Fiscal Balance (percent of GDP)**



Current account deficits remain high...

**Figure E. Current Account Balance (percent of GDP)**

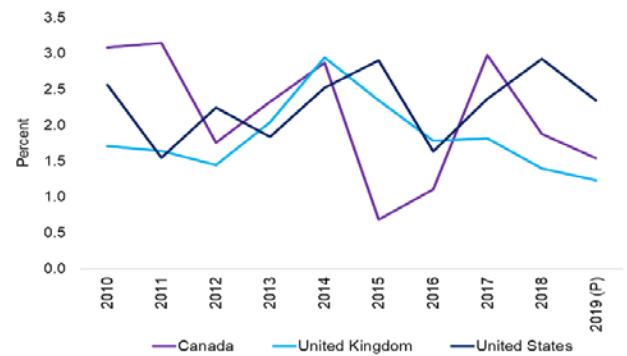


Sources: Eastern Caribbean Central Bank; and International Monetary Fund, October 2019 *World Economic Outlook*.

Notes: ECCB: Eastern Caribbean Central Bank; OECS: Organisation of Eastern Caribbean States; (P): projected. Country abbreviations: ANT-Antigua and Barbuda; DOM- Dominica; GRE- Grenada; SKN- St. Kitts and Nevis; SLU- St. Lucia; SVG- St. Vincent and the Grenadines.

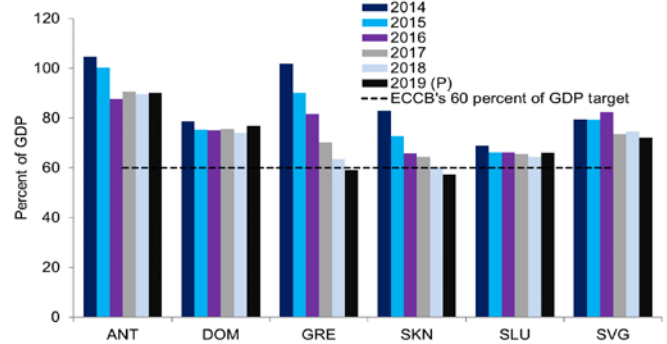
...amid slowing growth in the region's main trading partners.

**Figure B. Real GDP Growth: Major Trading Partners (percent)**



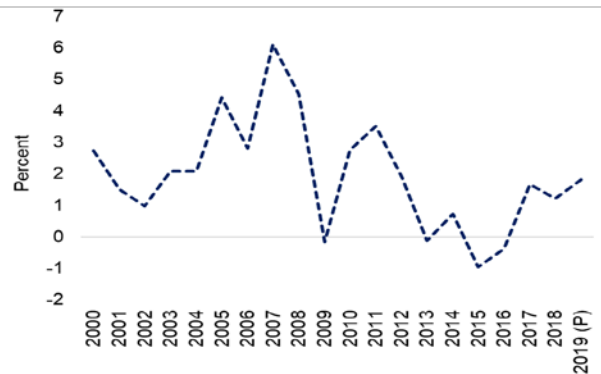
...and debt continues to remain elevated in most countries.

**Figure D. General Government Gross Debt (percent of GDP)**



...but inflationary pressures are expected to be subdued.

**Figure F. Inflation in the OECS (end of period; percent)**





The OECS: Selected Economic Indicators, 2014–2019

|  | 2014  | 2015  | 2016  | 2017   | 2018   | 2019 (P) |
|--|-------|-------|-------|--------|--------|----------|
| <b>Antigua and Barbuda</b>                                 |       |       |       |        |        |          |
| <i>Annual percentage change unless otherwise indicated</i> |       |       |       |        |        |          |
| <b>Real Sector</b>   |       |       |       |        |        |          |
| Real GDP   | 3.8   | 3.8   | 5.5   | 3.2    | 7.4    | 4.4      |
| Nominal GDP  | 5.8   | 7.0   | 7.5   | 2.2    | 9.7    | 4.8      |
| Consumer prices (end of period)                            | 1.3   | 0.9   | (1.1) | 2.4    | 1.7    | 2.0      |
| Consumer prices (period average)                           | 1.1   | 1.0   | (0.5) | 2.4    | 1.2    | 1.6      |
| <i>Annual percentage change unless otherwise indicated</i> |       |       |       |        |        |          |
| <b>External Sector</b>                                     |       |       |       |        |        |          |
| Current account (percent of GDP)                           | 0.3   | 2.2   | (2.4) | (8.8)  | (7.0)  | (6.1)    |
| International reserves (millions of U.S. dollars)          | 297.0 | 355.7 | 330.1 | 313.6  | 328.7  | ...      |
| <i>In percent of GDP</i>                                   |       |       |       |        |        |          |
| <b>Public Sector</b>                                       |       |       |       |        |        |          |
| Total revenue  | 20.1  | 24.1  | 24.5  | 21.7   | 20.7   | 20.3     |
| Current expenditure  | 21.3  | 25.3  | 20.7  | 21.3   | 23.0   | 22.3     |
| Capital expenditure and net lending                        | 1.7   | 1.4   | 4.0   | 1.9    | 1.9    | 2.3      |
| Primary balance  | (0.2) | (0.1) | 2.4   | 1.2    | (0.9)  | (0.7)    |
| Overall balance  | (2.9) | (2.6) | (0.1) | (1.5)  | (4.2)  | (4.2)    |
| General government gross debt                              | 104.6 | 100.3 | 87.6  | 90.6   | 89.5   | 90.0     |
| <i>In millions of EC dollars</i>                           |       |       |       |        |        |          |
| <b>Memo</b>  |       |       |       |        |        |          |
| Nominal GDP at market value                                | 3,374 | 3,609 | 3,879 | 3,964  | 4,349  | 4,558    |
| <b>Dominica</b>  |       |       |       |        |        |          |
| <i>Annual percentage change unless otherwise indicated</i> |       |       |       |        |        |          |
| <b>Real Sector</b>   |       |       |       |        |        |          |
| Real GDP   | 4.5   | (2.7) | 2.6   | (6.8)  | 2.3    | 9.0      |
| Nominal GDP  | 4.3   | 3.3   | 6.4   | (9.0)  | 1.9    | 11.1     |
| Consumer prices (end of period)                            | 0.5   | (0.7) | (0.2) | 1.4    | 1.4    | 1.8      |
| Consumer prices (period average)                           | 0.8   | (0.9) | 0.0   | 0.6    | 1.4    | 1.6      |
| <i>Annual percentage change unless otherwise indicated</i> |       |       |       |        |        |          |
| <b>External Sector</b>                                     |       |       |       |        |        |          |
| Current account (percent of GDP)                           | (6.9) | (7.6) | (8.9) | (12.7) | (43.4) | (33.6)   |
| International reserves (millions of U.S. dollars)          | 101.4 | 126.2 | 221.9 | 212.3  | 191.3  | ...      |
| <i>In percent of GDP</i>                                   |       |       |       |        |        |          |
| <b>Public Sector</b>                                       |       |       |       |        |        |          |
| Total revenue  | 27.1  | 44.3  | 59.7  | 55.2   | 44.9   | 41.4     |
| Current expenditure  | 24.7  | 24.7  | 29.1  | 31.4   | 30.4   | 30.3     |
| Capital expenditure and net lending                        | 6.9   | 7.7   | 15.7  | 23.2   | 27.4   | 19.1     |
| Primary balance  | (3.0) | 13.8  | 16.4  | 2.4    | (12.0) | (6.5)    |
| Overall balance  | (4.6) | 11.9  | 14.8  | 0.6    | (12.9) | (7.9)    |
| General government gross debt                              | 78.6  | 75.3  | 75.0  | 75.5   | 74.1   | 76.8     |
| <i>In millions of EC dollars</i>                           |       |       |       |        |        |          |
| <b>Memo</b>  |       |       |       |        |        |          |
| Nominal GDP at market value                                | 1,414 | 1,460 | 1,554 | 1,414  | 1,440  | 1,601    |

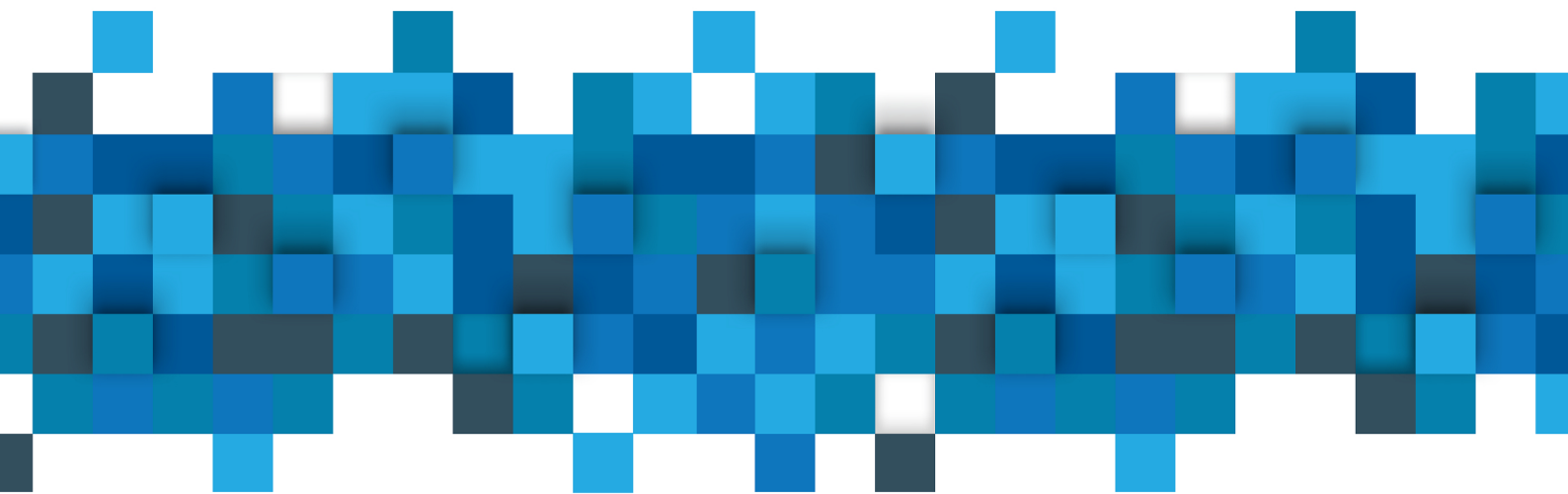
Sources: Eastern Caribbean Central Bank; and International Monetary Fund, October 2019 *World Economic Outlook*.

|  | 2014   | 2015   | 2016   | 2017   | 2018   | 2019 (P) |
|--|--------|--------|--------|--------|--------|----------|
| <b>Grenada</b>   |        |        |        |        |        |          |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>Real Sector</b>   |        |        |        |        |        |          |
| Real GDP   | 7.3    | 6.5    | 3.7    | 4.4    | 4.1    | 3.0      |
| Nominal GDP  | 8.2    | 9.4    | 6.5    | 6.0    | 5.2    | 4.5      |
| Consumer prices (end of period)                            | (0.6)  | 1.1    | 0.9    | 0.5    | 1.4    | 1.0      |
| Consumer prices (period average)                           | (1.0)  | (0.6)  | 1.7    | 0.9    | 0.8    | 1.0      |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>External Sector</b>                                     |        |        |        |        |        |          |
| Current account (percent of GDP)                           | (11.6) | (12.2) | (11.0) | (12.0) | (11.2) | (11.3)   |
| International reserves (millions of U.S. dollars)          | 169.9  | 198.0  | 207.7  | 199.1  | 233.8  | ...      |
| <i>In percent of GDP</i>                                   |        |        |        |        |        |          |
| <b>Public Sector</b>                                       |        |        |        |        |        |          |
| Total revenue  | 24.5   | 24.5   | 26.2   | 25.6   | 26.5   | 25.7     |
| Current expenditure  | 19.9   | 17.3   | 19.7   | 19.9   | 19.3   | 19.0     |
| Capital expenditure and net lending                        | 9.2    | 8.3    | 4.2    | 2.7    | 2.7    | 2.8      |
| Primary balance  | (1.1)  | 2.1    | 5.2    | 5.7    | 6.5    | 6.0      |
| Overall balance  | (4.7)  | (1.2)  | 2.3    | 3.0    | 4.5    | 3.9      |
| General government gross debt                              | 101.8  | 90.1   | 81.6   | 70.1   | 63.5   | 59.1     |
| <i>In millions of EC dollars</i>                           |        |        |        |        |        |          |
| <b>Memo</b>  |        |        |        |        |        |          |
| Nominal GDP at market value                                | 2,461  | 2,692  | 2,866  | 3,039  | 3,199  | 3,343    |
| <b>St. Kitts and Nevis</b>                                 |        |        |        |        |        |          |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>Real Sector</b>   |        |        |        |        |        |          |
| Real GDP   | 6.3    | 1.0    | 2.8    | (2.0)  | 2.9    | 3.6      |
| Nominal GDP  | (0.9)  | 2.4    | 5.3    | 5.0    | 4.0    | 5.3      |
| Consumer prices (end of period)                            | (0.5)  | (2.4)  | 0.0    | 0.8    | (0.7)  | 2.0      |
| Consumer prices (period average)                           | 0.2    | (2.3)  | (0.3)  | -      | (0.2)  | 0.6      |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>External Sector</b>                                     |        |        |        |        |        |          |
| Current account (percent of GDP)                           | 0.1    | (9.4)  | (13.8) | (11.7) | (7.4)  | (6.3)    |
| International reserves (millions of U.S. dollars)          | 327.3  | 288.4  | 320.5  | 365.1  | 363.2  | ...      |
| <i>In percent of GDP</i>                                   |        |        |        |        |        |          |
| <b>Public Sector</b>                                       |        |        |        |        |        |          |
| Total revenue  | 43.0   | 39.9   | 34.4   | 30.9   | 38.4   | 38.6     |
| Current expenditure  | 27.1   | 26.8   | 25.6   | 25.4   | 27.2   | 25.9     |
| Capital expenditure and net lending                        | 6.2    | 6.3    | 4.5    | 4.9    | 6.3    | 5.5      |
| Primary balance  | 12.6   | 9.0    | 6.0    | 2.1    | 6.4    | 8.5      |
| Overall balance  | 9.8    | 6.7    | 4.3    | 0.6    | 4.9    | 7.2      |
| General government gross debt                              | 82.9   | 72.6   | 65.8   | 64.3   | 60.5   | 57.4     |
| <i>In millions of EC dollars</i>                           |        |        |        |        |        |          |
| <b>Memo</b>  |        |        |        |        |        |          |
| Nominal GDP at market value                                | 2,247  | 2,300  | 2,422  | 2,544  | 2,646  | 2,785    |

Sources: Eastern Caribbean Central Bank; and International Monetary Fund, October 2019 *World Economic Outlook*.

|  | 2014   | 2015   | 2016   | 2017   | 2018   | 2019 (P) |
|--|--------|--------|--------|--------|--------|----------|
| <b>St. Lucia</b>   |        |        |        |        |        |          |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>Real Sector</b>   |        |        |        |        |        |          |
| Real GDP   | 1.3    | 0.2    | 3.2    | 2.6    | 0.9    | 1.4      |
| Nominal GDP  | 5.1    | 6.4    | 2.6    | 6.8    | 5.8    | 3.6      |
| Consumer prices (end of period)                            | 3.7    | (2.6)  | (2.8)  | 2.0    | 2.2    | 2.1      |
| Consumer prices (period average)                           | 3.5    | (1.0)  | (3.1)  | 0.1    | 2.0    | 2.1      |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>External Sector</b>                                     |        |        |        |        |        |          |
| Current account (percent of GDP)                           | (0.3)  | 2.3    | (4.6)  | 1.5    | 3.0    | 2.5      |
| International reserves (millions of U.S. dollars)          | 257.7  | 317.5  | 305.5  | 321.8  | 285.8  | ...      |
| <i>In percent of GDP</i>                                   |        |        |        |        |        |          |
| <b>Public Sector</b>                                       |        |        |        |        |        |          |
| Total revenue  | 22.6   | 23.1   | 23.4   | 23.0   | 23.6   | 23.7     |
| Current expenditure  | 22.1   | 21.5   | 21.0   | 20.8   | 22.1   | 22.2     |
| Capital expenditure and net lending                        | 4.0    | 4.2    | 3.9    | 4.4    | 2.9    | 3.8      |
| Primary balance  | 0.1    | 0.9    | 1.9    | 1.1    | 1.8    | 1.1      |
| Overall balance  | (3.4)  | (2.5)  | (1.5)  | (2.2)  | (1.4)  | (2.2)    |
| General government gross debt                              | 68.9   | 66.1   | 66.2   | 65.5   | 64.3   | 65.9     |
| <i>In millions of EC dollars</i>                           |        |        |        |        |        |          |
| <b>Memo</b>  |        |        |        |        |        |          |
| Nominal GDP at market value                                | 4,209  | 4,480  | 4,594  | 4,905  | 5,189  | 5,378    |
| <b>St. Vincent and the Grenadines</b>                      |        |        |        |        |        |          |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>Real Sector</b>   |        |        |        |        |        |          |
| Real GDP   | 1.2    | 1.3    | 1.9    | 1.0    | 2.2    | 0.3      |
| Nominal GDP  | 0.9    | 3.8    | 2.5    | 2.3    | 2.4    | 5.5      |
| Consumer prices (end of period)                            | 0.1    | (2.1)  | 1.0    | 3.0    | 1.4    | 2.0      |
| Consumer prices (period average)                           | 0.2    | (1.7)  | (0.2)  | 2.2    | 2.3    | 1.4      |
| <i>Annual percentage change unless otherwise indicated</i> |        |        |        |        |        |          |
| <b>External Sector</b>                                     |        |        |        |        |        |          |
| Current account (percent of GDP)                           | (26.3) | (15.3) | (13.0) | (12.0) | (12.2) | (11.6)   |
| International reserves (millions of U.S. dollars)          | 157.4  | 166.0  | 192.3  | 182.0  | 169.6  | ...      |
| <i>In percent of GDP</i>                                   |        |        |        |        |        |          |
| <b>Public Sector</b>                                       |        |        |        |        |        |          |
| Total revenue  | 29.2   | 26.6   | 29.6   | 29.8   | 28.2   | 28.5     |
| Current expenditure  | 25.9   | 25.1   | 24.8   | 26.4   | 26.7   | 26.4     |
| Capital expenditure and net lending                        | 6.3    | 3.6    | 3.7    | 3.8    | 3.6    | 3.8      |
| Primary balance  | (1.5)  | (0.2)  | 2.4    | 1.5    | 0.1    | 0.1      |
| Overall balance  | (3.0)  | (2.1)  | 1.1    | (0.5)  | (2.0)  | (1.7)    |
| General government gross debt                              | 79.4   | 79.4   | 82.4   | 73.5   | 74.5   | 72.0     |
| <i>In millions of EC dollars</i>                           |        |        |        |        |        |          |
| <b>Memo</b>  |        |        |        |        |        |          |
| Nominal GDP at market value                                | 1,965  | 2,040  | 2,091  | 2,139  | 2,191  | 2,311    |

Sources: Eastern Caribbean Central Bank; and International Monetary Fund, October 2019 *World Economic Outlook*.



For questions or comments please contact email [CET@iadb.org](mailto:CET@iadb.org)

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