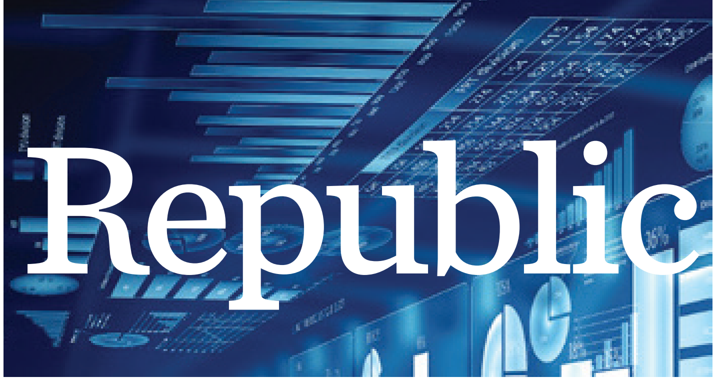

Republic Economic NEWSLETTER

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Global Inflation Threatens to Restrict Economic Recovery

OVERVIEW

In the final quarter of 2021, domestic economic activity improved. The energy sector benefitted from higher global oil and natural gas prices, while energy sector output increased during the period. During the last three months of the year, government's gradual removal of COVID-19-related restrictions provided a much-needed boost to the non-energy sector. Anecdotal evidence suggests that both the construction and manufacturing sectors recorded improved performances during the period. Regarding the country's public accounts, government recorded a fiscal surplus in the fourth quarter of 2021. This was largely due to higher tax revenues from both the energy and non-energy sectors. Domestic inflation trended upward, mainly because of global supply chain disruptions and higher international energy prices. With regard to the demand for credit, there were some encouraging signs, as private sector credit growth strengthened in comparison to the fourth quarter of 2020. Although the country's foreign reserves fell, it remained at a healthy level. Based on available data and other supporting evidence, Republic Bank estimates that economic activity increased by 2.5 percent in the fourth quarter of 2021, compared to the third quarter of 2021.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

Indicator	2020	2020.4	2021.4 p/e
Real GDP (% change)	-7.4	-0.2	2.5
Retail prices (% change)	0.65	0.83	3.84
Unemployment Rate (%)	5.7	7.2	NA
Fiscal Surplus/Deficit ($M)	-16,689.9	-1,040.5	653.9
Bank Deposits (% change)	7.85	2.26	1.10
Private Sector Bank Credit (% change)	0.45	0.67	1.74
Net Foreign Reserves (US$M)	10,308.1	10,308.1	10,466.3
Exchange Rate (TT$/US$)	6.72/6.78	6.72/6.78	6.74/6.78
Stock Market Comp. Price Index	1,323.1	1,323.1	1,496.9
Oil Price (WTI) (US$ per barrel)	39.23	42.45	77.27
Gas Price (Henry Hub) (US$ per mmBtu)	2.03	2.53	4.77

Source: - Central Bank of Trinidad and Tobago, TTSE, EIA
p – Provisional data
e – Republic Bank Financial Holdings Limited estimate
*** - RBL Forecast**

ENERGY SECTOR

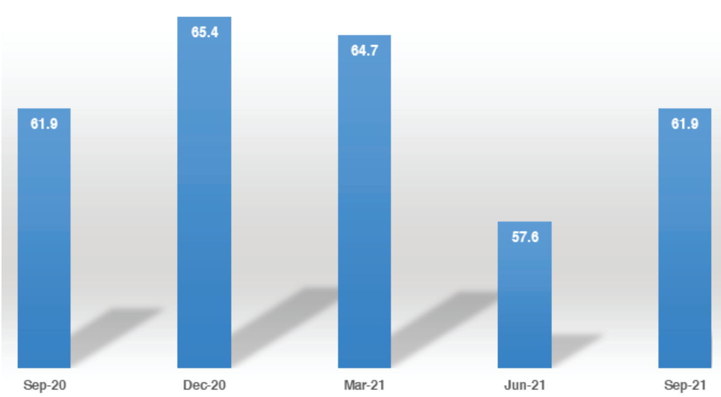
Average crude oil prices continued to trend upward in the fourth quarter of 2021. The West Texas Intermediate (WTI) price averaged US$77.27 per barrel in the fourth quarter of 2021, 9.4 percent higher than the average price in the third quarter of 2021. Interestingly, the average Henry Hub natural gas price increased by the same rate (9.4 percent) from US$4.36 per million British thermal units (mmBtu) in the third quarter of 2021 to US$4.77 mmBtu in the fourth quarter. Turning to production, average oil output increased by 8.5 percent year-on-year (y-o-y) and 0.6 percent quarter-on-quarter (q-o-q) during the fourth quarter of 2021. Natural gas production increased by 5.4 percent y-o-y but contracted by 0.5 percent q-o-q. The results in the petrochemical sector were a mixed bag. While output of urea and liquefied natural gas (LNG) increased by 7.3 percent q-o-q and 26.2 percent q-o-q, respectively, production for ammonia and methanol contracted by 2.4 percent q-o-q and

20 percent q-o-q, respectively. The barometers for exploration activity also posted contrasting results, with average rig days in the fourth quarter of 2021 down 11.5 percent y-o-y and 20.7 percent q-o-q, even as the average depth drilled of 20,376 feet (ft.) was 4.7 percent higher than the average for the third quarter of 2021. However, the average depth drilled in the final quarter of 2021 was 9.9 percent lower than the average depth drilled in the final quarter of 2020. In December 2021, the domestic energy sector received some good news as Touchstone Exploration announced the results of the final production test at its Royston-1 exploration well, which confirmed a light oil discovery in the upper most section of the Herrera Formation.

NON-ENERGY SECTOR

Local cement sales are generally a good proxy for activity in the construction sub-sector. In the final quarter of 2021, local sales of cement averaged 39,222 tonnes, which was 2.4 percent higher than that recorded in the third quarter of 2021 (38,315 tonnes). However, domestic cement sales were still 9 percent below the levels of fourth quarter 2020. New vehicle sales are usually a good indicator of activity in the distribution sub-sector. In the fourth quarter of 2021, new vehicle sales totalled 2,658 compared to 3,044 in the previous quarter, which represented a contraction of 12.7 percent. On an annual basis, the sales of new vehicles contracted by 22.9 percent. Based on the rise in the capacity utilisation index, activity in the manufacturing sub-sector improved in the third quarter of 2021 compared to the previous quarter (Figure 2). This was mainly attributed to production in the Food, Beverage and Tobacco industries (4.3 percent).

Figure 1: Manufacturing Sector Capacity Utilisation (%)



Source: CBTT

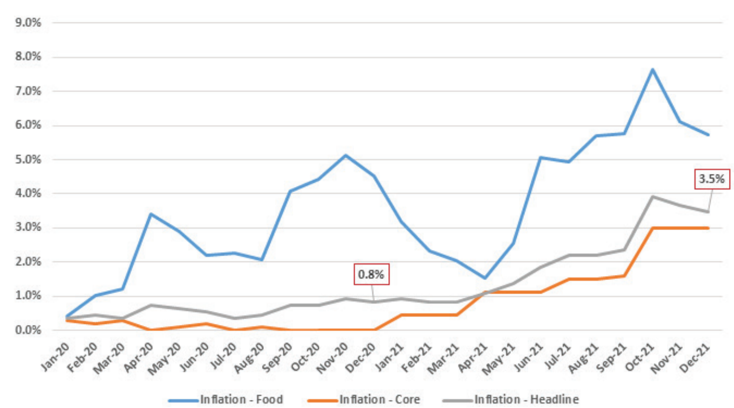
FISCAL POLICY

Based on the latest information from the Ministry of Finance, the government recorded a surplus of $654 million in the final quarter of 2021, compared to a deficit of $1,040.5 million in the same quarter of 2020. Although central government total expenditure increased by 8.9 percent y-o-y during the fourth quarter of 2021, the increase in central government total revenue (28.7 percent) outweighed the impact of expenditure. Tax revenue from the non-energy and energy sectors increased by 7.4 percent y-o-y and 313.1 percent y-o-y, respectively. Higher global energy prices and increased domestic oil output drove the increase in revenue from the sector. The improvement in non-energy sector earnings was largely due to greater tax collections from income, profits, and goods and services. Total government spending increased by $891.8 million during the period, mainly due to an increase in interest payments, which increased by 36.8 percent y-o-y.

MONETARY POLICY

The Central Bank's Monetary Policy Committee (MPC) maintained the 'Repo' rate at 3.5 percent in its December 2021 Monetary Policy Announcement. This action was based, in part on the continued uncertainty regarding the path of the COVID-19 pandemic. The MPC's decision was also guided by the weak conditions in the domestic non-energy sector, balanced against elevated inflationary pressures, which the Central Bank continues to monitor. Headline inflation increased from 0.8 percent y-o-y in December 2020 to 3.5 percent y-o-y in December 2021 (Figure 3). Food inflation trended upward sharply between the April – October 2021 period, while core inflation increased from 0.5 percent y-o-y in January 2021 to 3 percent y-o-y in December 2021. Disruptions to critical global supply chains, elevated shipping costs and surging global energy prices were the main contributing factors for the upward trend in domestic inflation.

Figure 2: Inflation (%)



Source: CBTT

Private sector credit grew by 2.7 percent q-o-q in the fourth quarter of 2021, up from 0.4 percent q-o-q in the third quarter of 2021. On an annual basis, private sector credit growth increased from 0.4 percent y-o-y in the fourth quarter of 2020 to 2.7 percent y-o-y in the fourth quarter of 2021. Business loans grew by 4.7 percent y-o-y, compared to a contraction of

1.7 percent y-o-y in the third quarter of 2021. On a quarterly basis, business loans grew by 5.3 percent over the levels of the third quarter of 2021. Consumer loans also grew at a faster rate in the fourth quarter, expanding by 1.8 percent q-o-q, compared to 0.3 percent q-o-q in the third quarter of 2021. Real estate loans expanded by 1.1 percent q-o-q and by 3.8 y-o-y.

RESERVES

Net Official Reserves contracted by 1.1 percent y-o-y in December 2021 to US$6,879.6 million, representing 8.4 months of import cover. This was also lower than the level recorded in the third quarter (US$7,072.7 million or 8.6 months of import cover). During the period September to December 2021, both the sale and purchase of foreign exchange by authorised dealers increased. Total sales by authorised dealers to the public increased by 31.1 percent y-o-y from US$1,086 million in the fourth quarter of 2020 to US$1,424 million. For the same period, the purchase of foreign currency from the public increased by 86.4 percent y-o-y compared to 38.9 percent y-o-y in the third quarter of 2021. Net sales of foreign currency fell from US$360.8 million in the fourth quarter of 2020 to US$72.2 million in the same period in 2021.

OUTLOOK

Over the next 6 months, the domestic economy will benefit from elevated global energy prices and slightly higher energy sector output. On March 1st, 2022, the WTI and Brent crude oil prices both rose above US$100 p/b, to US$103.41 p/b and US$104.97 p/b, respectively. According to the US Energy Information Administration (EIA), the WTI price is projected to average US$111.97 p/b and US$102.94 p/b in the second and third quarters of this year, respectively. There are a number of natural gas projects that are expected to come on stream in the first half of 2022, which are expected to bring an additional 250-350 million standard cubic feet per day (mmscf/d) by the end of 2022, once all wells are fully operational.

The move by government to relax most of the remaining COVID-19-related restrictions will provide a boost to the non-energy sector, including the domestic tourism sector. Nevertheless, rising inflation may pose a threat for the domestic economy. Global inflation was already trending upward in the latter half of 2021 due to rising energy and other commodity prices, increased shipping cost and continued supply bottlenecks. The ongoing Russia-Ukraine conflict has significantly intensified global prices. Given that Russia is a major global supplier of oil, natural gas, coal, and grains, a prolonged war between both countries could disrupt global supplies of these major commodities. Furthermore, both Ukraine and Russia combined, account for approximately 30 percent of global wheat exports and Ukraine by itself is also a top exporter of barley, corn and rapeseed, which are all used in the production of animal feed and other basic food products. The higher costs of fuel and food items are already being felt across the globe and will be passed onto the domestic economy. Within the next six months, the cost of living is projected to increase, placing downward pressure on private consumption and demand for goods and services.

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CARIBBEAN UPDATE

Overview

The COVID-19 pandemic is by no means over. While the number of global daily new cases continues to fall from the record-breaking heights of January 2022, the 1,530,664 new cases on March 31st this year, is significantly higher than those of every other day from the start of the pandemic up to December 28th, 2021. The trend with respect to deaths is more encouraging, with the March 31st, 2022 global daily death figure of 4,269 among the lowest for the entire period of the pandemic. With COVID-19 seemingly transitioning from pandemic to endemic status, the thrust to re-open countries and economies has accelerated over the last 6 months. The supply-chain bottlenecks, shortages and logistical challenges that have resulted from the unprecedented shutdown of large swathes of global manufacturing, production and shipping, has resulted in widespread and continued high prices for most goods, with food and fuel being the most impactful.

There is a saying *"When America sneezes, the World catches a cold"*. This widely used saying reportedly dates back to Austrian politician Klemens von Metternich (1773 – 1859) who, at the time of Napoleon, penned the phrase "*When Paris sneezes, Europe catches a cold."* Economists and politicians have amended Metternich's words to reflect America's dominant role in global economics since the start of the twentieth century. Clearly the saying lends itself to easy adaptation and adoption, as undoubtedly, many of us in this region would be surprised that the original phrase isn't *"When America sneezes, the Caribbean catches a cold"*, as this not only captures America's dominance, but also the extreme dependence and vulnerability that is a feature of Caribbean countries' relationship with the power up North. However, this influenza of scarcity and high prices, that is driving up inflation rates, did not originate in any one place and is affecting all countries. Further, Russia's invasion of Ukraine and the sanctions that have followed, have made this particular flu much more intense than it was before.

Anguilla

Anguilla experienced broad based price increases in the fourth quarter of 2021. Average prices were 2.1 percent higher in this period than the corresponding quarter in 2020, with food and non-alcoholic beverages, health, recreation and culture and housing, utilities, gas and fuels being the key drivers of the increase. Average inflation was 1.8 percent in 2021 with economic growth for the period estimated at 1 percent. Tourist arrivals for the year were an improvement over that of 2020, however the 28,376 stay-over visitors were 70.3 percent lower than that of 2019. The trend in total tourist expenditure was similar, with the EC$160.3 million earned last year, 63.6 percent below 2019's receipts. In mid-November, the United Kingdom announced that it had agreed to fund projects that would improve Anguilla's economic resilience and help its recovery from COVID. The 3-year programme, agreed to with the territory's Premier and the Foreign, Commonwealth & Development Office (FCDO), will make £4 million available in 2022 and consider similar sums in the following 2 years. In some more favourable developments, Tradewind Aviation, relaunched its service between Puerto Rico and Anguilla, with flights through to mid-April, and American Airlines will begin daily flights from Miami to Anguilla in April. The territory's low incidence of COVID-19 infections will almost certainly be a supportive factor in the success of this increase in airlift. As of March 31st, Anguilla had a total of 2,700 COVID-19 cases, with just 15 of them being active. Some 63.8 percent of the population was vaccinated as of March 23rd.

Barbados

The impetus provided by an 11.5 percent increase in economic activity in the fourth quarter was tempered by the depressing effect of COVID-19 on the tourism sector and on private sector investment, earlier in the year, when a greater level of economic restriction was in place. For all of 2021, Barbados' economy expanded by 1.4 percent. Though the number of stay-over visitors increased in the fourth quarter, the 143,509 tourists received in 2021 was 30.8 percent less than that of 2020, and represented just 20 percent of the arrivals in 2019, precipitating a 26 percent decline in tourism sector activity. The weak performance in tourism, and the uncertainty and reduced incomes it contributed to, helped slow the recovery of domestic demand. While the unemployment rate was relatively high at 12.4 percent in September, it represented a significant improvement on the 17.6 percent rate a year earlier. Barbados was not immune to the increases in international shipping costs and high food and fuel prices, with average prices in November 4.6 percent higher than that of December 2020. The country's debt-to-GDP ratio moderated during the year to end 2021 at 136.3 percent.

In mid-December, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Barbados, as well as the sixth review of Barbados' economic reform programme supported by an arrangement under the Extended Fund Facility (EFF). The IMF found that the authorities continue to make good progress in implementing their comprehensive Barbados Economic Recovery and Transformation (BERT) plan, despite the challenges presented by the pandemic and two recent natural disasters. Based on the progress shown by the review, US$24 million was released to Barbados from the IMF. Also in December, regional credit rating agency Caribbean Information and Credit Rating Services Limited (CariCRIS) reaffirmed Barbados' credit rating of CariBB for local currency and CariBB- for foreign currency, with a stable outlook. CariCRIS indicated that the expected performance of the BERT programme going forward, contributed to the stable outlook, though it warned of sustained economic challenges to a post-COVID recovery. After announcing a snap election on December 27th, the incumbent Barbados Labour Party, led by Prime Minister Mia Mottley was returned to power on January 19th, 2022, winning all 30 seats.

British Virgin Islands

The British Virgin Islands (BVI) has experienced two surges in COVID-19 cases since the onset of the pandemic. The second surge, which began in December 2021 doubled the territory's total case count, which plateaued at 6,141 on March 31st, 2022, with 62 deaths. While these numbers appear quite small by global and even regional standards, they are large relative to BVI's population of less than 32,000 people. However, BVI's vaccination rate of 58.4 percent is high by regional standards. Like countries the world over, BVI authorities have been trying to find the balance between taking effective measures to restrict the spread of the virus and facilitating economic activity. BVI reopened its borders to foreign tourists in December 2020, and cruise tourism resumed in October 2021. The tourism recovery has been slower than elsewhere in the Caribbean because, until late November 2021, visitors were still required to take a COVID-19 test on arrival and to quarantine until receiving the results, which discouraged tourism. Despite signs of recovery during the 2021/22 winter tourism season, last year's arrivals were still disappointing. The 55,577 stay-over visitors recorded in 2021 were 32.8 percent lower than the number in 2020 and were just 18.4 percent of the number of people welcomed in 2019.

BVI's economy grew by an estimated 6.5 percent in 2021, a solid rebound from the 17 percent contraction in 2020. Over the same period, the inflation rate has more than doubled from 1.4 percent to 3.2 percent. The findings of a British government inquiry into allegations of corruption and collusion between leading politicians on the island and organised crime, are due to be presented by mid-April. While this inquiry was certainly less than helpful to BVI's offshore finance sector, more headwinds lie ahead. An economic crime bill being rushed through Britain's Parliament because of the Ukraine war, will oblige offshore companies holding UK property to disclose their beneficial owners. Further, next year brings a deadline from London for BVI to launch a publicly accessible register showing the ultimate owners of the hundreds of thousands of international companies registered locally. These measures at the very least are likely to erode the privacy that is a major part of the appeal of BVI's financial services.

Cayman Islands

At the end of November, Health City Cayman Islands was given approval by the Cayman Islands Department of Planning for the construction of a US$100 million medical campus and hospital expansion at Camana Bay. This new facility will reduce the number of citizens travelling abroad to receive special health care services. Like several regional states, Cayman Islands (CI) is also seeking to increase the number of people coming in, to mitigate the losses from the significant drop in tourism activity during the pandemic. To this end, at the end of 2021, the territory launched the Global Citizen Concierge Programme, an initiative designed to attract affluent, remote-working professionals and their families to 'the islands' to live and work for up to two years.

After curbing the rate of new COVID-19 cases in 2020 and most of 2021, CI experienced a surge that took its total number of cases from 1,011 in mid-October to 20,606 at the end of the first quarter of 2022. The high case numbers and the government's quarantine requirements for those infected led to periodic labour shortages with almost 10 percent of the population being in quarantine at times. However, CI's high vaccination rate (88.8 percent as at March 25th) and the lesser severity of the Omicron variant kept the healthcare system from being overwhelmed and contributed to limiting the number of deaths to 24. The government was also able to continue on its course of easing quarantine restrictions, loosening entry restrictions for visitors and resuming cruise tourism from March 21st.

The Cayman Islands economy grew by 1.8 percent in 2021, an encouraging reversal from the 6.7 percent contraction the previous year. Over the same period, the average inflation rate tripled from 1 percent to 3 percent. Despite the absence of tourism revenues, government's financial performance last year was buoyed by record revenues from fund, company and partnership registrations and stamp duties on land transfers. Consequently, in February, Finance Minister Chris Saunders disclosed that preliminary results for the 2021 financial year showed a smaller than projected core government deficit of about CI$10 million.

Cuba

In September 2021, the Cuban government permitted the creation of micro, small and medium-sized enterprises (MSMEs). Since then, more than 1,000 such companies have been registered. The list of business activities that private small businesses are permitted to conduct was also expanded from 127 to more than 2,000. Later, in mid-December, a new bank, Financiera de Microcréditos was established to offer loans to these public and private MSMEs, as well as self-employed workers and co-operatives. In line with its focus to expand the private sector, the Ministry of Foreign Trade and Investment, launched a new Portfolio of Business Opportunities, comprising 678 projects, mainly in the food, biopharmaceutical, tourism and energy sectors, with the intention of attracting 12.5 billion dollars in foreign investment. Following the 10.9 percent contraction in 2020, Cuba's economy barely grew (0.1 percent) in 2021. The devaluation of the Cuban peso (CUP) from CUP1:US$1 to CUP24:US$1 on the first day of 2021, was effectively a 96 percent devaluation of the official rate that had a massive impact on inflation through that year. The 9.5 percent inflation rate of 2020 is dwarfed by the average inflation rate of 255.2 percent in 2021. Over the first month of 2022, the Cuban peso depreciated by more than 30 percent against the US dollar and was trading at almost 100 to one dollar on the informal market. Local economists and business leaders attributed this to a growing perception that the government was unable to reverse the weakening economy and runaway inflation.

On February 22nd, just a few days after Cuba and Russia announced that they would deepen their ties and two days before Russia invaded Ukraine, Russia agreed to postpone several debt payments owed to it by Cuba until 2027. The loans, worth $2.3 billion were provided to Cuba by Russia between 2006 and 2019. As the incursion continued, Cuba experienced a reversal of fortunes. European states closed their airspace to Russian planes as part of a raft of sanctions, forcing thousands of Russian holidaymakers to cut short their vacation in Cuba to find flights home while they were still available. This is a major blow to Cuba's 2022 tourism ambitions as Russia became one of Cuba's major tourism source markets in 2021 and was expected to contribute at least 20 percent of the island's visitors in 2022. In some more bad news, Cuba's sugar industry is heading toward its worst season ever, with official media reports projecting that the 2022 harvest is set to fall well short of last year's record low, 800,000 tonnes, the worst performance since 1908.

Dominica

In the wake of last year's COP26 Climate Conference, Dominica entered into a partnership with Switzerland to advance the attainment of the Paris Agreement climate goals. Both countries entered into a bilateral agreement, which will enable Dominica to sell its carbon credits to help Switzerland meet its Paris Agreement emissions pledge. In return, Switzerland will direct funding to initiatives in Dominica, like the electrification of transport on the island and the completion of a geothermal plant by 2023. In December, American Airlines launched its first-ever nonstop flights from the United States to Dominica. The new service will run twice-weekly and will provide a much-welcomed boost to the island's struggling tourism sector. Last year's tourist arrivals were even lower than that of 2020, and the 14,728 visitors were 83.5 percent lower than what can be considered the 'normal' level of visitor arrivals in 2019. Not surprisingly, this decline was reflected in total visitor expenditure, which fell by 86.7 percent over the same period. Despite the poor performance of tourism, Dominica rebounded from the 11 percent contraction of 2020, with economic growth of 3.7 percent in 2021, with growth driven largely by public sector construction. There was also a reversal in the trajectory of prices, with average inflation moving from -0.7 percent in 2020 to 0.5 percent in 2021. Having restricted its total number of COVID-19 cases to 210 at the end of July 2021, Dominica's total case count has been strongly rising from this low base in the ensuing months to reach 11,787 on March 30th, 2022. At the same time, 41.6 percent of the population was vaccinated against the virus.

Grenada

In August 2021, Grenada's government began paying a 4 percent salary increase to all public servants, which had been deferred since the beginning of the year. Consequently, recurrent expenditure remained high. Recurrent revenue (collections) was slightly higher than in 2020 but remained significantly below the 2019 level. Encouragingly, the unemployment rate fell from 28.4 percent in the second quarter of 2020 to 16.6 percent by mid-2021, representing the return of some 13,600 jobs. Grenada's economy is recovering. The IMF indicated as much following a virtual Article IV consultation in February 2022. The economy grew by 5.6 percent in 2021, slightly below the 6 percent originally projected. The recovery was driven by strong growth in construction (22.8 percent), agriculture (12.5 percent), wholesale and retail (4.4 percent) and financial intermediation (3.5 percent). Not surprisingly, the hotel & restaurants sector continued to struggle. Total stay-over arrivals for 2021 were 42,099, 3.9 percent lower than in 2020 and a massive 74.2 percent less than in 2019. Although total visitor expenditure, at EC$170 million, was 7.8 percent higher than the 2020 figure, it was 70.3 percent lower than the EC$572.5 million spent by tourists in 2019. Inflation increased to 1.2 percent, due primarily to increased fuel and food prices along with higher shipping costs. Grenada's debt to GDP ratio improved to 70.3 percent.

Guyana

The Governments of Guyana and Ghana signed a Framework Agreement on Co-operation designed to actualise the growing strategic partnership between the two countries. A number of Memoranda of Understanding (MoU) in the Petroleum and Investment promotion sectors were also signed on December 7th, in Georgetown, Guyana, at the end of a three-day official visit by the Vice President of Ghana, Dr Mahamudu Bawumia. One week earlier, on November 29th, Guyana completed its fifth and final oil lift for the year, as part of its Production Sharing Agreement with Esso Exploration and Production Guyana Limited (EEPGL) and their Stabroek Block consortium partners. The lift totalled 1,043,289.542 barrels of oil and brought the country's total take for the year to approximately 5.1 million barrels. On December 29th, 2021, Guyana's parliament approved local content rules for oil producers and a sovereign wealth fund to oversee the country's earnings from oil. The local content bill requires that energy projects use local businesses for certain jobs, including environmental studies and metal fabrication, while the Natural Resources Fund assigns oversight of oil revenue to parliament instead of the finance ministry.

Guyana's economy grew by a strong 19.9 percent in 2021, largely due to the oil and gas sector, with the non-oil sector growing at a rate of 4.6 percent. As impressive as this was, it paled in comparison to the 43.5 percent expansion of 2020. The country was not immune to inflationary pressure and average price increases jumped from 1.0 percent in 2020 to 5.7 percent in 2021.The New Year started quite positively, with ExxonMobil Corp making two new discoveries in the Stabroek Block off Guyana's coast at the Fangtooth-1 and Lau Lau-1 wells. However, the size of the reserves was not specified. On January 26th, Senior Minister in the Office of the President with Responsibility for Finance, Dr. Ashni Singh delivered Guyana's 2022 Budget. During his presentation, he indicated that the GY$530 billion fiscal package, the largest and most transformational to date, is geared to ensure that the country's urgent developmental needs are met in the shortest possible time, while still protecting its long-term economic well-being.

St. Kitts Nevis

In November, St. Kitts Nevis opened an embassy in Abu Dhabi in the United Arab Emirates with the aim of strengthening the relationship between the two countries. Prime Minister Timothy Harris signed the agreement for the embassy during the EXPO 2020 in Dubai. The country enjoyed early success in restricting the spread of COVID-19 with a total of just 68 cases and 0 deaths up to the end of May 2021. However, due to a surge in cases in the second half of the year, by the end of 2021, total cases stood at 2,918 with 28 deaths. While cruise tourism had resumed, and cruise ship visitors were estimated at 72,000 in November, the restrictions put in place to curb the spread of the virus, along with conditions and restrictions in source markets, continued to impact the country's tourism sector. The total number of stay-over visitors in 2021, at 20,139, was 32.2 percent lower than in 2020 and some 83.2 percent less than in 2019. Similarly, total visitor expenditure was 84.2 percent less than in 2019. However, despite the travails of the tourism sector, growth in other sectors contributed to an estimated 1 percent expansion in St. Kitts Nevis' economy in 2021. After three consecutive years of negative inflation rates (deflation), average prices increased by 1.6 percent in 2021. The country's debt to GDP ratio was maintained at a quite respectable 60.8 percent.

On December 14th, Prime Minister and Minister of Finance, Dr Timothy Harris, delivered St. Kitts Nevis' 2022 budget. He described the EC$952.2 million package as "people-centred," based on what he saw as significant investments in people's safety, health, education and a range of social safety nets, and indicated that it is not anticipated that government will have to take on debt to fund it. Tourism enjoyed an encouraging start to 2022, with PM Harris indicating that the country received 6,683 stay-over arrivals in January, a considerable increase on the 1,350 passengers in January 2021.

St. Lucia

St. Lucia's economy grew by an estimated 7 percent in 2021, while average inflation increased to 1.4 percent. St. Lucia's solid recovery in tourism in the first half of 2021 continued through the rest of the year. Stay-over tourist arrivals in the fourth quarter, at 73,960, were 146.9 percent higher than arrivals for the same period in 2020. In the full-year comparison, the 199,347 arrivals last year was 52.5 higher than in 2020. While the 2021 figure was still some way off (53 percent) from the last 'normal' year, 2019, St. Lucia's recovery was greater than that of most of its peers. Even more encouragingly, the resumption of cruise tourism in July 2021, contributed to a notable increase in visitor spending. The total visitor expenditure last year of EC$2,095.4 million was 144.1 percent greater than that of 2020 and just 22.3 percent below that of 2019. This positive momentum in tourism is likely to carry through into 2022 with Virgin Atlantic resuming flights from Britain and British Airways resuming flights between St. Lucia and Trinidad. This augurs well for economic activity going forward, as the country's Tourism Minister Dr Ernest Hilaire, indicated that the tourism sector accounts for 22 percent of St. Lucia's GDP. He added that as of January 2022, more than 90 percent of arriving visitors were vaccinated and that more than 90 percent of hotel and villa staff across the island were vaccinated, with some hotels reporting 100 percent vaccination rates for staff. These rates are significantly higher than the national rate which stood at 28.6 percent on March 18th.

In March, the government announced a marginal increase in the price of fuel as it warned that the global events that have led to increases in the price of oil will seriously affect its ability to raise revenue and maintain social programmes. From March 21st, 2022, the price of gasoline and diesel was increased by one dollar from EC$13.95 to EC$14.95 a gallon.

St. Vincent and the Grenadines

Coming from a very low figure in 2020, St. Vincent and the Grenadines' (SVG) total number of COVID-19 cases increased steadily through most of 2021. A strong surge in the last four months of 2021 saw cases almost triple to 6,746 by March

31st, 2022 along with 106 deaths. In November, government implemented a policy that required all frontline workers to be vaccinated against COVID-19. Under the policy, workers, would be considered as absent without leave (even if they did show up for work) once they were not fully vaccinated. In mid-December, a number of teachers were dismissed from their jobs for failing to get vaccinated, without medical or religious exemptions. Despite some subsequent acceleration in the vaccination rate, vaccination of SVG's population remains low at just 27.2 percent as at March 31st.

In December, the World Bank committed to provide US$40 million for the Volcanic Eruption Emergency Project in St. Vincent and the Grenadines. The aim of the project, which was also financed by a US$2 million grant from the European Union's Caribbean Regional Resilience Building Facility, is to aid with the rapid restoration of critical infrastructure, the government's capacity to respond to future emergencies and provide temporary grants to 4,000 displaced households. In the realm of public finance, the proposed fiscal measures in the 2022 National Budget (presented on January 10th) are expected to result in total expenditure of EC$1.33 billion and a fiscal deficit of EC$376.3 million. The fiscal package is 9.6 percent greater than the approved budget for 2021.

SVG's tourist arrivals of 20,565 in 2021 were 22.6 percent lower than that of 2020 and 76 percent below that of 2019. Total visitor expenditure followed a similar pattern, falling by 34 percent compared to 2020 and 76 percent when compared to 2019. What seems a disappointing performance at first glance, is actually encouraging upon closer inspection. In the wake of the La Soufriere volcano's eruptions in April 2021, each month, from April to December that year, still saw higher arrivals than the corresponding months in 2020. The government estimates that SVG's economy grew by 0.7 percent in 2021. After average annual prices decreased by 0.6 percent in 2020, 2021 recorded an inflation rate of 1.7 percent.

Sint Maarten

Supply-chain disruptions and firmer commodities prices drove up prices in Sint Maarten in 2021. The average annual inflation rate more than tripled from 1.2 percent in 2020 to 3.7 percent last year. Fortunately, this was accompanied by a solid rebound in economic activity, with the estimated 4.0 percent increase in Gross Domestic Product (GDP) in 2021, a notable turnaround from the 22.4 percent contraction of 2020. The performance of the tourism sector was a major factor in the turnaround. Solid arrival numbers in the first half of the year, improved further in the second half. September 2021 arrivals were up by 32 percent compared to pre-pandemic (2019) levels in that same month, an early sign of a strong winter season performance. Sint Maarten's 2021 tourist arrival figure of 248,852 was 33.8 percent higher than that of 2020 and represented 77.8 percent of the 319,696 arrivals recorded in 2019. Interestingly, the increase in visitors occurred despite growing COVID-19 numbers at the time. Sint Maarten's total number of COVID-19 cases increased steadily through 2021 to end the year at 4,250. The new year saw the territory's strongest surge to date, with total cases plateauing at 9,912 by March 30th with 63 deaths. Notwithstanding the increases, after a two-year absence, Sint Maarten will host its Carnival celebrations from April 16th to May 3rd, 2022. Concerns about the possibility of another surge in cases may be assuaged to some extent by Sint Maarten's relatively high vaccination rate of 63.6 percent as at March 25th.

Suriname

In another boost to Suriname's oil and gas sector, on October 13th, the country's state-owned oil company, Staatsolie, announced that it had signed a 30-year production-sharing contract (PSC) with US-based oil major, Chevron. Under the terms of the contract, Chevron will have the right to explore and develop offshore oil and gas resources in Block 5, which the company successfully bid for in June. On November 3rd, the board of directors of the Inter-American Development Bank (IDB) approved the disbursement of US$450 million to finance Suriname's 2021-25 Country Strategy Framework. The immediate aims of the financing arrangement include helping improve the government's tax collection capabilities and refining spending on energy subsidies and unprofitable state-owned enterprises.

In December, Suriname was finally able to secure the approval of the IMF Executive Board for a new 36-month arrangement under the EFF. This decision saw the immediate disbursement of approximately US$55.1 million to support the government's homegrown economic plan, which aims to restore fiscal sustainability. Two months later in February 2022, Suriname passed its first review, having met all the quantitative targets, with IMF officials stating that the homegrown economic plan remains on track. The officials noted that while inflation was still high, it had fallen since August. The average inflation rate for 2021 was 59.1 percent. The country experienced a 3.5 percent economic contraction during the year compared to a 15.9 percent contraction of 2020. Public debt fell from 148 percent of GDP at the end of 2020 to an estimated 125 percent of GDP at December 2021, due to both the ongoing fiscal adjustment and an appreciation of the real exchange rate. Suriname experienced a series of surges in 2021that saw its total number of COVID-19 cases increase from approximately 6,200 at the end of 2020 to 79,188 by March 30th, 2021, with 1,324 deaths. The country's vaccination programme is inching along, with 40.4 percent of the population vaccinated as at March 30th.

Region

On February 3rd, Antigua and Barbuda's Prime Minister and Minister of Finance Gaston Browne, presented the country's 2022 Budget. The EC$1.64 billion fiscal package, was characterised as symbolic of government's deliberate expansionary fiscal strategy, which is meant to stimulate the economy and accelerate a revival in domestic output. This budget is 9 percent larger than the 2021 budget and is expected to register a deficit of $110 million, equivalent to 2.6 percent of GDP. During his presentation, the Prime Minister indicated that the country's largest ever bond, a US$200 million, 10-year, 4.5 percent instrument was fully subscribed. He disclosed that the proceeds from the bond will be used to implement projects that will stimulate the economy and secure growth of eight percent this year, with two of these projects being the acquisition and renovation of the Jolly Beach Hotel and the construction of a hotel at Morris Bay. Following a virtual visit from February 7th to 11th, the IMF concluded that Antigua and Barbuda's economic framework is improving. In its report, the IMF noted that real GDP grew by an estimated 4.8 percent in 2021, a solid rebound from the 20.2 percent contraction the year before, that was driven by a recovery in the tourism sector, with contributions from the agriculture and construction sectors.

At the beginning of December, less than two weeks after Haiti's Prime Minister, Ariel Henry swore in his new cabinet, the Inter-American Development Bank (IDB) approved supportive funding for Haiti. The $60 million of non-reimbursable financing was provided to improve the food security of rural households, including farmers, fishers, seafood merchants, and rural workers, by promoting rural productivity and connectivity to rural markets. This project was co-financed with $18.3 million from the Global Agriculture and Food Security Programme (GAFSP). In early February, hundreds of workers protested in the capital to demand a higher minimum wage, currently the equivalent of $5 for eight hours, as inflation surged in the country. Most of the participants were women who work at the textile factories at the industrial park in Port-au-Prince. Besides asking for the minimum pay to be tripled to 1,500 gourdes ($15) for an eight-hour day, the workers want transportation and food subsidies. The removal of fuel subsidies late last year, has seen the price of diesel more than double, from $1.69 to $3.53 a gallon. While the increased fuel prices were burdensome in themselves, they also made basic goods more expensive by raising transportation costs.

On November 23rd, international credit-rating agency Moody's Investors Service announced that it has affirmed the Government of Jamaica's long-term issuer and senior unsecured ratings at B2, while maintaining a stable outlook. The agency said its rating reflects "Jamaica's strong commitment to fiscal consolidation", despite expectations of an increase in the country's debt over the short term. "Low growth, limited diversification and the small size of the economy were identified as structural factors that constrain the country's economic and credit prospects." In mid-January, the Statistical Institute of Jamaica (STATIN) reported that the unemployment rate of October 2021, at 7.1 percent, was on-par with the pre-pandemic rate of 7.2 percent for October 2019. Economic activity in the fourth quarter of 2021 was estimated to be 6 percent higher than the 2020 equivalent period, and growth for 2021 is estimated at 4.3 percent, an encouraging turnaround from the 10.2 percent contraction in 2020. In February 2022, Jamaica's Cabinet approved a 28.5 percent increase in the national minimum wage, effective April 1st, 2022. Minister of Labour and Social Security, Karl Samuda, explained that this will see the rate moving from JM $7,000 to $9,000 per 40-hour work week. On March 11th, Fitch Ratings affirmed a B+ rating for Jamaica's long-term debt with a stable outlook on economic conditions. The rating was supported by a favourable business climate and consistent fiscal policy efforts to lower the debt burden, and balanced by vulnerability to external shocks, average GDP growth below peers, a high public debt level and a debt composition that makes the sovereign vulnerable to exchange rate fluctuations and hikes in interest rates.

Outlook

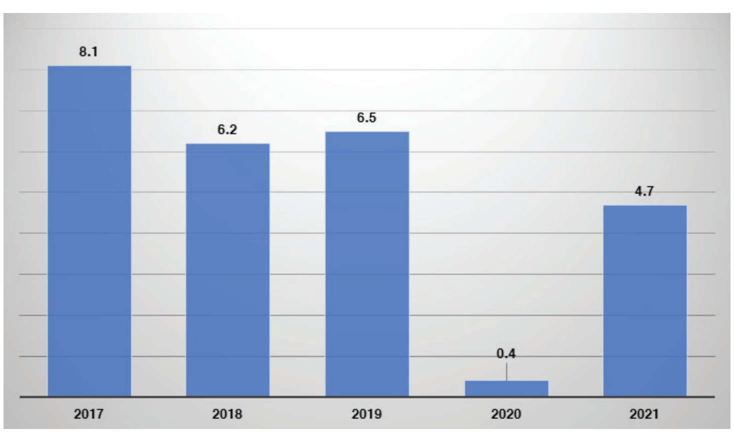
Rising demand, as economic activity steadily increases across the world, combined with shortages and supply bottlenecks have resulted in persistent upward pressure on prices of most products and virtually all commodities for several months. The near-term impact of the Russia-Ukraine war has been to drive prices even higher. The developments that have followed, will almost certainly result in continued upward pressure on prices. While no one can reasonably say when or how this conflict will end, the sanctions imposed on Russia will surely endure at least through the rest of this year. At the most basic level, removing Russia's supply of wheat, oil and gas from the global trading system will result in demand/supply imbalances that will be difficult to offset in the short term. Consequently, high prices for fuel, food and a wide swathe of goods will likely persist for the rest of 2022.

Encouragingly, the prospects for regional tourism look bright. Having enjoyed relatively benign hurricane seasons for the last two years, the Caribbean was not faced with rebuilding in the wake of destruction, and if the impact of the COVID-19 virus continues to decline, the region should be well placed to welcome the world. With high fuel costs and the possible need to rework some routes because of reciprocal airspace bans between Russia and Europe, the cost of air travel will almost certainly increase. While this may dampen some demand, the regional states should see increased arrivals this year, as global travel continues to rebound. Cuba may be the exception as Russian tourists, who have grown to become the country's largest market, may be unwilling or unable to fly. The region's producers of gold, oil and gas will continue to benefit from buoyant prices over the next six months. In what can potentially be a major shock, US and European authorities, ostensibly because of the concern that they may provide safe havens for Russians and other bad actors, have begun to scrutinise the Citizenship by Investment programmes run by some regional states, with a view to shutting them down.

Ghana
An Economic Review

Prior to the emergence of the COVID-19 pandemic, Ghana's economy was in a relatively good place, having successfully completed an International Monetary Fund (IMF) Extended Credit Facility (ECF) Programme in March 2019. The ECF was meant to support government's efforts to address large fiscal and external imbalances, which were impeding the performance of the domestic economy. Guided by its development agenda and the ECF programme, government implemented several reforms, including measures to improve fiscal management, build resilience in the financial sector and enhance the ease of doing business. These measures helped to strengthen the country's macroeconomic fundamentals, putting the economy in a position where it was projected to record further solid growth in 2020, after a 6.5 percent expansion in 2019 (Figure 1). In 2014, the year the ECF agreement was secured, the country was burdened by a fiscal deficit equal to 10.1 percent of GDP, public debt measuring 70.2 percent of GDP and a current account deficit accounting for 9.5 percent of GDP. By 2019, the fiscal deficit, including energy and financial sector costs, had fallen to 7.5 percent of GDP, while public debt and the current account deficit decreased to 62.9 percent of GDP and 2.7 percent of GDP, respectively. It should be noted that without energy and financial sector costs, the fiscal deficit would have been notably smaller (4.7 percent of GDP). The financial sector costs relate to the clean-up of the sector which addressed poor business practices and capital deficiencies, ultimately resulting in the strengthening of the sector, although several institutions were forced to close. The exercise cost $10.98 billion (US$2.1 billion).

Figure 1: Real GDP Growth (%)



Source: IMF

As was the case for most countries, Ghana's response to the pandemic, as essential as it was, proved to be very costly, resulting in notable fiscal slippage and economic deceleration, despite support from multilateral agencies such as the IMF. Unlike most economies, domestic economic activity did not contract in 2020, according to IMF estimates, but instead, slowed considerably to 0.4 percent. Reflective of intensifying fiscal challenges, in April 2020, Ghana sought and was granted approval for US$1 billion in IMF funding under the Rapid Credit Facility (RCF). The disbursement provided the country with a measure of balance of payments cover and helped to address some of its urgent fiscal needs. Nevertheless, the country's fiscal deficit, excluding energy and financial sector costs, expanded to 11.7 percent of GDP in 2020, while public debt increased by 13.2 percentage points to reach 76.1 percent of GDP. In addition to increased expenditure within its health sector, Ghana's pandemic response included several social initiatives and soft loans to SMEs, among other things. The government also rolled out a three-and-a-half-year economic recovery package titled "Ghana CARES". The Ghana CARES programme is a $100 billion post COVID plan to transform the nation's economy by investing in multiple sectors, including agribusiness, manufacturing and petrochemicals. A critical component of the plan is the building of a thriving technology ecosystem and financial services hub. The plan contained two phases. The first was a stabilisation phase that was scheduled for the second half of 2020, which was to be followed by the medium-term revitalisation stage from 2021-2023.

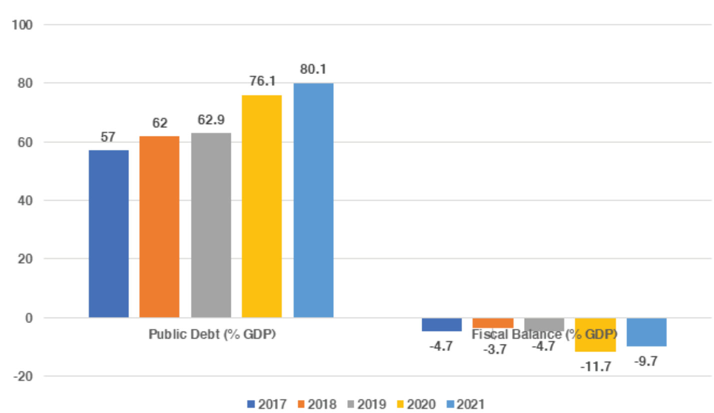
Economic activity accelerated in 2021, with the IMF estimating a 4.7 percent expansion in real GDP during the year. This improved performance was facilitated by strong growth in the non-oil sector, which expanded by 6.9 percent during the first nine months of 2021. Preliminary data suggest an encouraging uptick in construction activity, while the cocoa industry benefitted from increased demand and prices with the gradual reopening of the global economy. Disappointingly however, cocoa output fell substantially in the fourth quarter of 2021. Activity in the mining sector is also estimated to have registered a positive performance, notwithstanding a shortfall in gold output during the period. The resurgence of the domestic economy was reflected in the 23.5 percent expansion in retail sales during the first 11 months of the year. While domestic oil production experienced a decline in 2021, this was likely offset by the significant rise in international prices. Brent prices averaged US$70.89 per barrel in 2021 compared to US$41.69 a year earlier. According to Mr. Albert Longdon-Nyewan, Lead Petroleum Engineer of the Ghana National Petroleum Corporation, the country's oil output fell to an average of 150,000 barrels per day (bpd) in 2021 from 182,814 bpd in the previous year. Output is set to fall further in

2022 as a result of COVID-19 restrictions which caused work programmes and other activities to be deferred in 2020.

The improved economic performance did not materially impact the country's fiscal accounts in 2021. According to data from the Bank of Ghana (BOG), public debt increased at a faster rate than GDP, rising to 80.1 percent of GDP from 76.1 percent in 2020. To the contrary, the fiscal deficit fell to 9.7 percent of GDP from 11.7 percent (Figure 2). The fall in the ratio was mainly due to a larger increase in the denominator (nominal GDP) compared to the fiscal deficit. The outturn was the result of a 10.3 percent increase in expenditure to $113,750.23 million, with capital expenditure rising by 28.6 percent. The rise in expenditure outweighed the 23.1 percent rise in revenue to $66,696.44 million. Non-tax revenue increased by 10.5 percent, while grants contracted by 3.8 percent.

As it relates to trade, Ghana experienced a marginal expansion in its current account deficit in 2021, driven by a 3 percent increase in imports, as improved economic activity fuelled demand. Total imports reached US$13.6 billion. Despite a reduction in gold receipts, total exports grew by 1.8 percent to US$14.4 billion based on greater cocoa and crude oil exports. The shortfall in gold production resulted in a 25 percent slide in export earnings from the precious metal to US$5.1 billion in 2021. As a result of this, the nation recorded a smaller trade surplus of US$1.1 billion during the year, compared to US$2 billion in 2020. The country also recorded higher investment income outflows during the year, which when combined with the trade outturn, produced a current account deficit estimated at US$2.5 billion (roughly 3 percent of GDP). The current account deficit in 2020 was US$2.1 billion. Against this backdrop, Ghana's gross international reserves increased to US$9.7 billion or 4.4 months of import cover (MIC) from US$8.6 billion (4 MIC) in 2020, while the domestic currency depreciated by 4.1 percent to end 2021 at GHC$6 – US$1.

Figure 2: Public Debt & Fiscal Balance



Source: IMF, BOG

At the end of May 2021, with domestic price pressures relenting and COVID-19-related economic uncertainty still quite high, the BOG reduced the Monetary Policy Rate (MPR) to 13.5 percent. However, with global bottlenecks, shortages, logistical challenges and rising energy prices stoking global and domestic inflationary pressures in the second half of 2021, the Bank increased the MPR by 100 basis points to 14.5 percent in November. Nevertheless, given the high level of system liquidity, the increase in the MPR was not immediately reflected in the activities of the commercial banking sector. In December, the interbank rate declined to 12.68 percent from 13.56 percent in December 2020. This resulted in the average lending rate of commercial banks falling to 20.04 percent from 21.20 in December 2020. After falling to 7.8 percent in June 2021, the rate of inflation ended the year at 12.6 percent. Against this backdrop, private sector credit demand expanded steadily during the year, growing by 11.1 percent year-on-year in December. The outbreak of the Russia-Ukraine war in February 2022 caused considerable acceleration of already worrying global inflation rates. In Ghana, prices increased by 15.7 percent during the month, prompting the BOG to further increase the MPR to 17 percent in March.

With global COVID-19-related restrictions on the decline amid falling infection rates, economic activity is expected to expand, though at a slower rate than was registered in 2021. In its World Economic Outlook update in January, the IMF projected world GDP to expand by 4.4 percent in 2022. However, the ongoing Russia-Ukraine war presents major downside risks. To begin with, the conflict has significantly intensified global inflationary pressures, by increasing the uncertainty surrounding the supply of certain food commodities and stoking further increases in already elevated energy prices. The war will further complicate global economic recovery efforts, especially if it spreads to involve other countries or becomes a protracted conflict.

As it relates to Ghana, the domestic energy sector is expected to benefit from elevated energy prices for the remainder of 2022, with the US Energy Information Administration projecting Brent spot crude prices to average US$105.22 per barrel. However, with domestic production expected to fall to 146,000 bpd in 2022, the country will not be able to fully benefit from the high price levels. Cocoa, another critical export, is also expected to benefit from continued high prices, although there may be some reduction later in the year. Nevertheless, cocoa production is likely to fall short of 2021 levels. Although the recent strengthening of the US dollar has exerted some downward pressure on gold prices, the uncertainty that currently saturates the global economy is expected to keep the value of the precious metal at encouraging levels for Ghana for some time. Overall, economic activity is expected to expand solidly in 2022, with the IMF projecting real GDP growth of 6.2 percent. On the negative side, global conditions are likely to contribute substantially to continued high inflation, thereby complicating the Central Bank's monetary policy. Only gradual progress is expected regarding the return of the country's fiscal accounts to more sustainable levels.

Table 1: Key Economic Indicators

	2017	2018	2019	2020	2021
Real GDP (% Change)	8.1	6.2	6.5	0.4	4.7
Inflation Rate (%)	12.4	9.8	7.1	9.9	10.0
Fiscal Balance (% GDP)	-4.7	-3.7	-4.7	-11.7	-9.7
Public Debt (% GDP)	57	62	62.9	76.1	80.1
Current Account Balance (% GDP)	-3.4	-3.1	-2.7	-3.1	-3.3

Source: IMF, BOG