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Israel-Hamas war update



November 2023

- Evacuation of dual nationals and their dependents, foreign passport-holders and people needing urgent medical treatment began from Gaza through the Rafah crossing.
- A truce was agreed upon for the period November 24 to November 30, 2023 to allow for the exchange of women and children hostages, and detainees. A total of 105 hostages and 240 Palestinian detainees were exchanged.

December 2023

- Israel launches its first major ground offensive at Khan Younis in southern Gaza, days after the truce ends, worsening the humanitarian crisis in the region.
- The US, led by President Joe Biden, shifted its stance on the ongoing conflict notably, urging Israel to be more targeted in its campaign against Hamas. The devastation and the considerable death toll imposed by Israel's bombing of Gaza has caused the country to lose significant international support.
- Three hostages were mistakenly killed by the Israeli forces in Gaza, leading to a substantial escalation of the domestic pressures facing Prime Minister Netanyahu's government, with a growing number of citizens highly critical of the way the war is being conducted.
- The Islamic Resistance, which is based in Iraq claimed responsibility for a long-ranged attack on Israel, leading Israel's foreign minister to acknowledge that Iraq is among regional fronts to which the Gaza war has expanded.
- Hundreds of thousands of Palestinians are again displaced as Israel launches another major ground assault, this time on areas in the central Gaza Strip.

January 2024

- Israel decides to approach its war in a more targeted way, by starting to withdraw some of its troops in Gaza but maintaining heavy fighting in southern areas.
- US and British war artillery launch attacks across Yemen in retaliation against Houthi forces for their attacks on Red Sea shipping. After the Houthis claimed that 5 of their fighters were killed, they vowed to retaliate and continue their attacks on shipping.
- South Africa takes Israel to the International Court of Justice (ICJ) accusing the country of committing a state-led genocide campaign against the Palestinian population. Israel denies the accusation.
- Approximately 1.7 million of Gaza's 2.3 million population is internally displaced, according to the United Nations Relief and Works Agency (UNRWA) as Gaza's death toll crosses 25,000.
- Nearly a dozen western countries have cut funding to Palestinian refugees' agency UNRWA after Israel alleged that some of its staff were involved in Hamas's October 7th attacks. Ireland and Norway, however, have agreed to continue funding the agency.

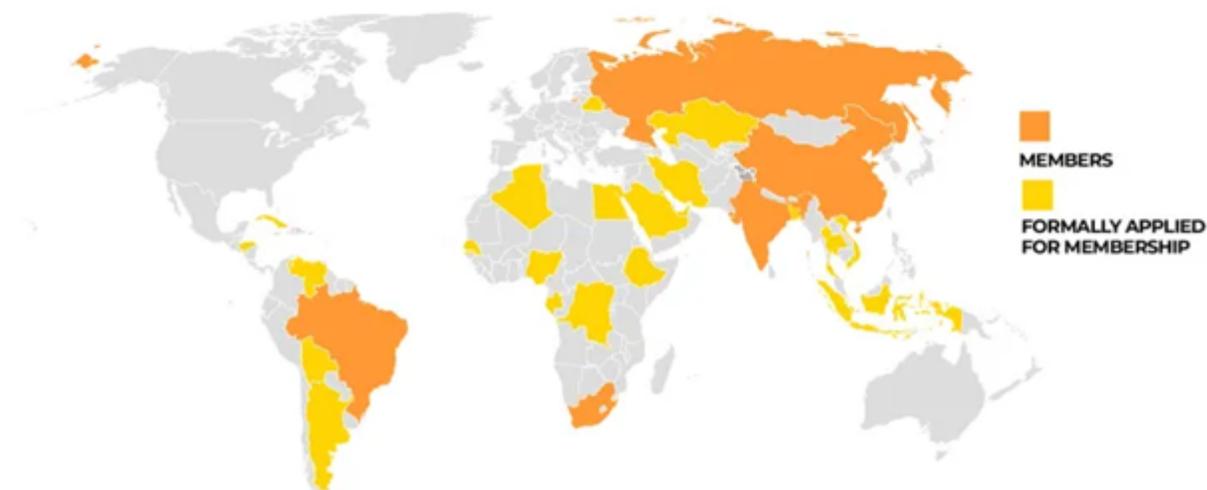
Geopolitics



The acronym BRICS refers to a group of emerging economies and developing countries which was formed in 2006 with members Brazil, Russia, India, China and South Africa. The original acronym, BRIC, coined in 2001 by then Goldman Sachs Chief Economist Jim O'Neill in a research paper that highlighted the growth potential of Brazil, Russia, India and China, did not originally include the 's' (South Africa). That country only joined the group in 2010. The group's aim is to provide a platform for its members to challenge the dominance of the United States and its Western allies in the sphere of global economics and politics. This is done partly through economic cooperation, trade arrangements and the development of multilateral agencies to facilitate the development of members. BRICS accounts for over 40 percent of the world's population and 25 percent of the global economy.

BRICS seeks to provide alternatives to, or in some cases induce change in, global organisations such as the IMF, which in the group's view are dominated by the traditional Western powers. Six countries were invited to join the bloc with full membership coming into effect in January 2024. They are Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and United Arab Emirates. Additionally, over 40 countries have expressed interest in joining the bloc including Algeria, Bolivia, Cuba, Comoros, Indonesia, Kazakhstan, Democratic Republic of Congo, and Gabon. This was announced at the 15th BRICS Summit held in August 2023 in South Africa. Javier Milei, Argentina's new president consequently announced the withdrawal of the country from the group in December 2023, reversing the decision of the previous government.

BRICS Membership



Source: Al Jazeera, 2023

Geopolitics

De-dollarisation

There is growing interest among the members of BRICS and other developing countries to engage in trade using currencies other than the US dollar. China and Brazil are just two of the nations leading the charge. China has been reducing its US Treasury Securities holdings, while Brazil's President Lula called for reduced reliance on the currency in April 2023. India and Malaysia have also engaged in trade utilising the Indian Rupee.

The Essequibo Conflict



Arising out of a disagreement more than a century old and stoked by the recent discovery of oil in the disputed district, tensions between Guyana and Venezuela escalated at the end of 2023 over the ownership of the Essequibo region. Essequibo is a 160,000 sq-km jungle region, covering two-thirds of the Guyanese territory. Venezuela claims that the region was stolen from them in 1899, when Guyana was a British colony and arbitrators from Britain, Russia and the United States decided the boundary between the two nations. Additionally, Venezuela argues that an agreement among

Venezuela, Britain and the colony of British Guiana signed in 1966 to resolve the dispute, effectively invalidated the original decision. On December 3, 2023, Venezuela held a referendum on the issue; a move which prompted fears that the Bolivarian Republic would seek to annex the territory. Unsurprisingly, of the Venezuelans that participated in the exercise, the majority voted to reject the 1899 decision.

For its part, Guyana is adamant that the 1899 accord is legal and binding and approached the International Court of Justice in 2018 to rule on the matter. However, a decision is years away and Venezuela does not acknowledge the court's jurisdiction. The two leaders agreed to meet to discuss the issue and met in St. Vincent and the Grenadines in December 2023 where a three-page joint declaration, called the Argyle declaration, was signed by both parties agreeing to maintain peace in the region. They agreed to "not threaten or use force against each other in any circumstances" and "continue dialogue". The parties agreed to meet again in Brazil after establishing a joint commission of foreign ministers to further discuss the matter. The meeting was held in January 2024, and the foreign ministers of Guyana and Venezuela affirmed their commitment to maintaining peace and continue working toward a diplomatic solution.

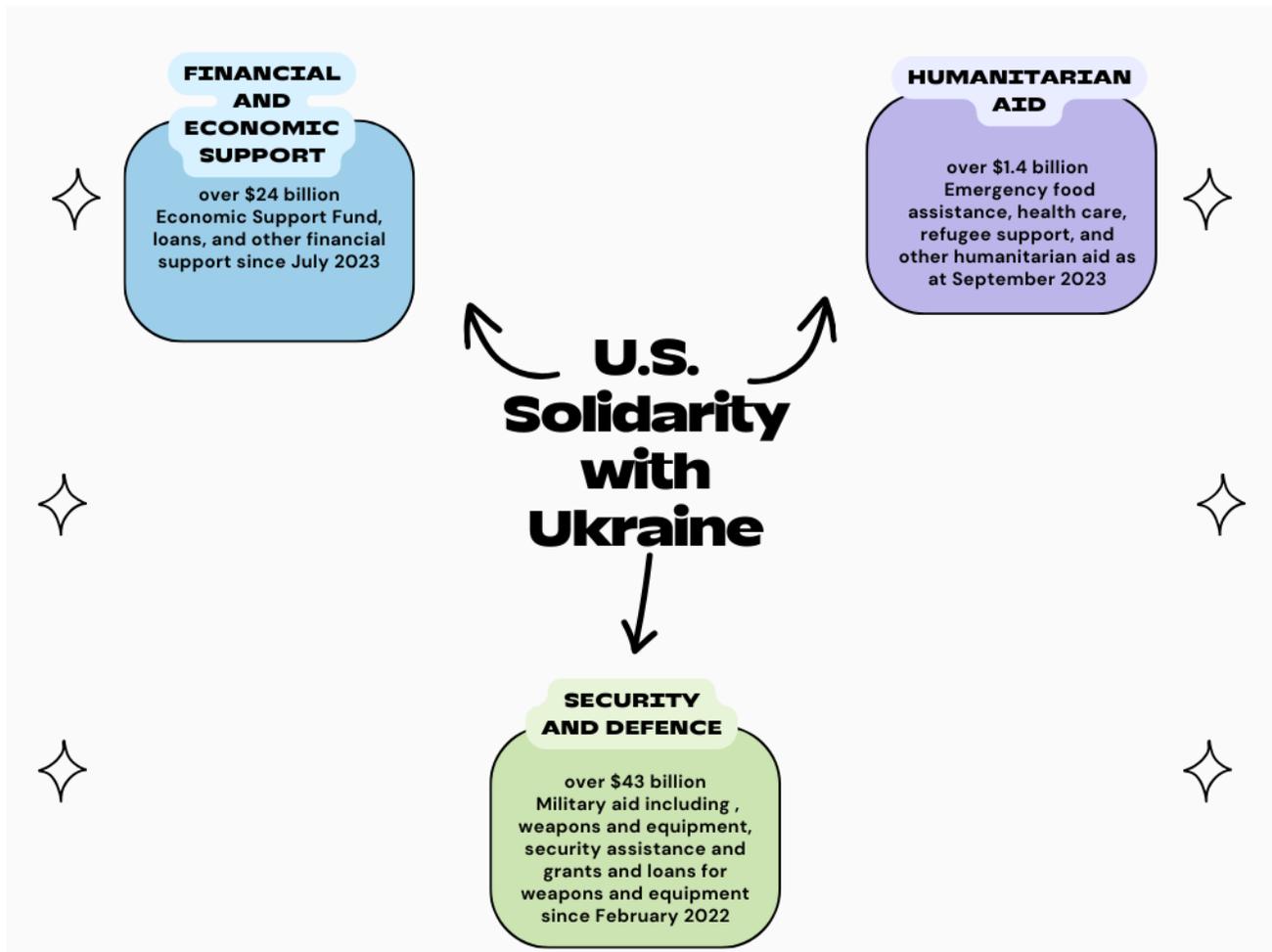
Geopolitics

Ukraine Update

Contributions made by the European Union and the United States



Geopolitics



Implications

Attacks by the Houthis in the Red Sea are a threat to cost of living as shipping and insurance prices have skyrocketed. Major shipping companies have also opted to take a longer journey around Africa through the Cape of Good Hope, but this extends the journey by over 7 days, costing companies millions of dollars and leading to costs being passed on to consumers.

The opportunities available to developing countries by joining BRICS are proving to be very attractive to many. While the continued growth of the group will support the development of its members, it also threatens to further fragment global trade and intensify the ongoing conflict between Western ideologies and the alternative.

Trade

Key Trade developments in 2023

- The value of global goods trade declined throughout 2023, primarily due to weaker demand in developed nations, underperformance in East Asian economies, and a decrease in commodity prices.
- In contrast, trade in services registered growth for the majority of 2023, a surge attributed to its delayed recovery from the COVID-19 downturn. However, the rebound of the services sector slowed considerably in the second half of 2023.
- The trade downturn was more pronounced in developing countries, with South-South trade underperforming for most of 2023.

Factors expected to influence global trade in 2024

- **Positive economic growth, but with significant disparities.**

• Global economic forecasts for 2024 remain positive but still fall below historical averages. Furthermore, substantial disparities will persist among countries and regions. Such disparities will influence patterns of trade.

- **High interest rates and weakening industrial output.**

• Economic activity is being hindered by persistently high interest rates in several economies. The latest Purchasing Managers' Index (PMI) readings for China and the United States suggest a subdued outlook for industrial output in the coming months.

- **Commodity prices volatility.**

• Regional conflicts and persistent geopolitical tensions are likely to add further uncertainty to commodity markets. Additionally, the increasing importance of securing critical minerals for the energy transition is expected to affect prices and further contribute to market volatility in these commodities.

Trade

Factors expected to influence global trade in 2024 (Cont'd)

• Lengthening of supply chains.

• Global trade is being influenced by the way supply chains respond to shifts in trade policy and geopolitical tensions, with notable impacts observed in supply linkages between China and the United States. Companies from other regions, particularly in East Asian economies and Mexico, have had opportunities to become more integrated into the supply chains affected by geopolitical concerns.

• Increase in subsidies and trade restrictive measures.

• The resurgence in the use of industrial policy (government intervention in domestic industry against market forces, through subsidies, tax and trade policies, to support certain sectors or companies and protect them from foreign competition) as well as the urgency of meeting climate commitments are driving changes in trade policies, both in the form of tariffs and non-tariff measures. The use of trade restrictive measures increased in 2023. These inward-looking policies are anticipated to impede the growth of international trade.

• Low demand for container shipping and increasing demand for raw materials.

• There is currently low demand for container shipping, as reflected by the lagging performance of the Shanghai Containerised Freight Rate Index. Conversely, the Baltic Dry Index exhibited a positive trend in the second half of 2023, indicating a rise in global demand for raw materials.

Global trade may be hindered by supply chain disruptions in 2024

- European manufacturers and retailers may find their operations hamstrung by periods of supply chain disruption due to ongoing attacks by Houthi rebels on commercial ships in the Red Sea off the coast of Yemen. This is a major shipping route, that accommodates 12 percent of global trade.

Most ships are now avoiding the Red Sea shipping route, with many shipping lines rerouting vessels around Southern Africa's Cape of Good Hope. This can add up to two weeks to the sailing time between Asian and European ports and will likely result in increased costs to businesses and consumers.

Trade

In response to the attacks, an international taskforce, comprising military vessels from the US, UK, France and other countries is now operating in the region to protect merchant ships.

- A shortage of ships leaves China's auto industry facing record-high freight charges to export electric vehicles to European markets, after dozens of old vessels were scrapped during the pandemic in 2020.
- New post-Brexit import document requirements on animal and plant products destined for the United Kingdom were due to come into force at the end of January 2024, with physical inspections set to begin in April. This will likely result in delivery delays in food and agriculture inputs.
- The UK halted trade talks with Canada after two years of negotiations post-Brexit, following a row over beef and cheese. Canada has been pushing for the UK to relax a ban on hormone-treated beef, which its producers say in effect shuts them out of the British market, while the UK has concerns about the 245 percent import taxes Canada levied on British cheese from the start of the year. The pause in talks means British car firms could also face higher tariffs. It will also mean the UK's trading terms with Canada will now be worse than when it was part of the EU's deal with the country.

Other points to note:

- Annual average oil prices are projected to fall by 2.3 percent in 2024.
- Nonfuel commodity prices are expected to fall by 0.9 percent.
- The Israel/Hamas conflict could expand to the wider region and thereby push energy prices up, as the region accounts for approximately 35 percent of the world's oil exports and 14 percent of its gas exports.
- Additional supply shocks could be generated by continued attacks in the Red Sea and the ongoing war in Ukraine, stoking price increases for food, energy and transportation.
- Extreme weather phenomenon could cause food prices to spike and exacerbate food insecurity.

Outlook

The forecast for global trade in 2024 remains highly uncertain, with several downside risks. These include persistent geopolitical tensions, high levels of debt, and widespread economic fragility. However, notwithstanding the current and potential challenges, according to the IMF, world trade is projected to grow by 3.3 percent in 2024 and 3.6 percent in 2025.

Implications

In the event of protracted supply chain disruptions, global inflationary pressures are likely to escalate, which in addition to placing further hardships on households and businesses would cause central banks to delay decisions to cut interest rates.

Banking and Finance

Monetary Policy Watch



- With inflation falling steadily for 11 months, the US Federal Reserve (Fed) held its policy rates at 5.25 - 5.50 percent in its January 2024 monetary policy announcement.
- Faced with historically high borrowing costs, many consumers and businesses hoped for a rate cut in January. However, the Fed indicated that it does not foresee a reduction in its benchmark rates before the middle of 2024.



- The Bank of England also held its policy rate (5.25 percent) at its January announcement, with inflation trending down since February 2023.
- Although the Bank committed to monitor economic developments and adjust its policy stance as necessary, its tone suggested that any rate cut was still some way off.



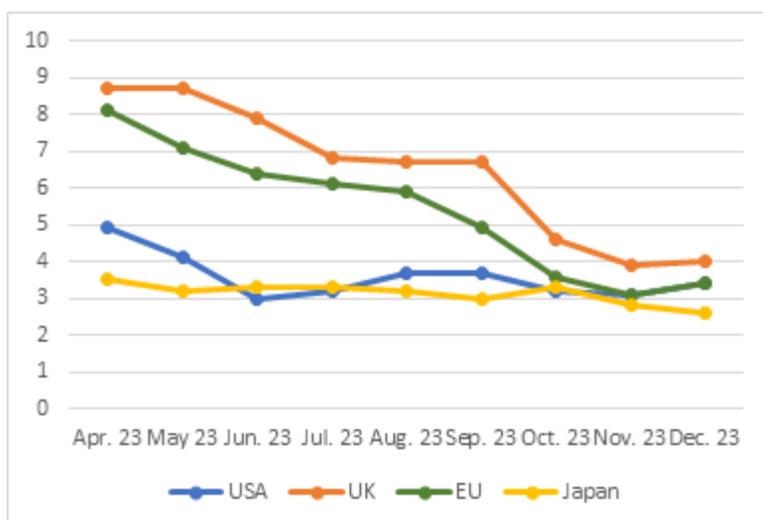
- The European Central Bank (ECB) maintained its policy rates at 4.50 - 4.75 percent in January, given evidence that past interest rate increases continue to meaningfully influence financing conditions.
- Inflation fell slightly to 2.9 percent in December. However, with the ECB focussed on bringing the rate down to its 2 percent target, the Bank has hinted that talk of a rate cut may be premature.



- Unlike its counterparts in Europe and North America, the Bank of Japan (BOJ) is seeking to prop up inflation to achieve its 2 percent target, after many years of deflation.
- In January, the BOJ announced the continuance of its negative interest rate policy (benchmark rate held at -0.1 percent), seeking to encourage the level of demand that is necessary to achieve the target.

Banking and Finance

Figure 1: Global Inflation Rates



Source: US-BLS, UK-ONS, Eurostat, JSB

Other Developments

North America

- On February 1st, 10 of the world's largest banks, including Bank of America and Barclays benefitted from a decision by a US Federal appeals court to dismiss an appeal brought by investors. The investors accused the banks of conspiring to suppress competition in the US Treasuries security market, by way of collusion.
- The investors accused the banks of swapping confidential customer orders and wrongfully using the pool of information to purchase Treasuries at higher yields and lower prices between 2007 and 2015.
- Just short of a year after the banking sector was rocked by the collapse of three regional lenders, fresh fears are being stoked by the mounting losses banks are facing in the commercial property industry. These losses are due to high interest rates that have driven up the cost of re-financing debt and low demand for commercial spaces as a result of the growth of the remote work trend.
- Jerome Powell, Chairman of the Fed, expressed confidence that the phenomenon is unlikely to cause a financial crisis, although it may impose significant hardship on small banks.
- In November 2023, Canada's Toronto-Dominion Bank (TD) announced plans to cut 3 percent of its workforce as part of a restructuring programme. The move will involve all lines of TD's business and affect more than 3,000 workers. However, TD did commit to redeploy some of the affected employees to open positions wherever possible.

Banking and Finance

Europe

- Although the major global economies have demonstrated an unexpected level of resilience in the face of rising interest rates, some policymakers have warned that the full impact of rising borrowing costs is yet to be felt by businesses and households. Accordingly, the head of Germany's Federal Financial Supervisory Authority (BaFin) has advised banks to set aside their recent windfall profits as provisions for potential increases in loan defaults.
- Banks experienced a significant rise in profits in 2023 as the increase of the Central Bank's policy rate resulted in higher lending costs, while deposits rates remained comparatively low.
- As part of its efforts to restructure its business, Barclays Bank has rolled out an initiative to improve efficiency and cut costs. Consequently, the Bank cut 5,000 jobs in 2023, representing 5 percent of its global workforce. The full details of the job cuts were to be revealed to the public on February 20th.
- Europe's largest bank, HSBC was fined £57 million by the Bank of England's Prudential Regulation Authority (PRA) for failing to adequately protect its customers. According to the PRA, two units of HSBC failed to precisely identify deposits which fell under the protection of the Financial Services Compensation Scheme between 2015 and 2022.

Africa

- In January, the Confederation of Zimbabwe Industries praised the Reserve Bank of Zimbabwe's (RBZ) foreign currency auction system for contributing to the growth of local business and the improvement of domestic production. In 2020, the RBZ launched the Dutch auction system, which is based on a price discovery mechanism. The system aims to improve the transparency and efficiency of foreign currency trading, as well as to facilitate the acquisition of raw materials and retooling of local companies.
- In response to its concerns regarding the increased foreign exchange and other risks facing banks, as a result of the growth in their net open positions (NOP), the Central Bank of Nigeria set new limits in January. Now, the NOP limit for overall foreign currency assets and liabilities, including off balance sheet items, should not exceed 20 percent short and 0 percent long, of shareholders' funds unimpaired by losses.
- The NOP in this instance refers to the maximum foreign currency exposure of a bank. A negative figure means that a bank is holding more foreign currency liabilities than foreign currency assets. This could apply pressure to a bank's liquidity and profitability and make it difficult for the institution to comply with regulatory standards.

Banking and Finance

Asia

- Standard Chartered Bank (Hong Kong) and FreightAmigo have partnered to help drive the growth of Hong Kong's small and medium-sized enterprises (SMEs) sector. The initiative aims to enhance SMEs' access to finance through services that are tailored to their needs. It will simplify financing and credit procedures by leveraging privacy-preserving technology.
- China's four largest banks experienced growth in their market values ranging from 4 percent to 8 percent in the last quarter of 2023. This occurred despite a decline in the loan-to-deposit ratio during the period in three of the banks.
- Kisetsu Saison Finance (India), a division of Japanese credit card issuer Credit Saison is set to see 15 percent of its operations taken over by Japan's Mizuho Financial Group, in a transaction worth US\$145 million (12 billion rupees). Kisetsu Saison Finance is an online lender that focuses on providing finance to small businesses and individuals. The Mizuho Financial Group hopes to tap into India's growing financing demand by leveraging the expertise of Kisetsu.

Implications

The continued ease of inflationary pressures in North America and Europe would likely lead the respective central banks to begin cutting benchmark rates at some point in 2024. However, those rates are expected to be only gradually reduced once the process begins, leading to slow declines in the cost of borrowing. In this regard, households and businesses are expected to face elevated lending rates for some time. Growing geopolitical tensions, together with the ongoing conflicts in Ukraine and the Middle East, represent major risks to this forecast, given their potential to drive up commodity prices and constrain economic growth.

Commodities

Commodities are raw materials used to manufacture consumer products. They are inputs in the production of other goods and services, rather than finished goods sold to consumers. However, they may also be basic staples such as certain agricultural products. The important feature of a commodity is that there is very little differentiation in that good, regardless of who produces it, so it is in effect, interchangeable with other goods of the same type. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade. The basis grade is the minimum accepted standard that a deliverable commodity must meet for use as the actual asset of a futures contract. The basis grade reinforces the principle of general uniformity of the commodity across different producers. Clearly the objective is to ensure a level of predictability with respect to the traded good, which in turn fosters confidence among traders and in the market itself.

The oldest commodity

The earliest recorded commodity trading took place in Ancient Mesopotamia between 4,500 BC and 4,000 BC. People traded livestock and forms of commodity money like shells and later gold and silver.

Types of commodities

Commodities are broken down into two categories and four main classes. Hard commodities are commodities that require mining or drilling to produce. Soft commodities are either grown or ranched.

Hard commodities include:

- **Energy.** This class includes commodities, such as crude oil, natural gas, coal, propane, unleaded gasoline, ethanol and even uranium.
- **Metals.** Popular metal commodities include precious metals, such as gold and silver, and industrial metals, such as copper and aluminium. Metals such as lithium and cobalt are also central to the future energy sector for their utility in electric vehicles and other clean energy technology.

Soft commodities include:

- **Agricultural products.** Agricultural products include crops and other plant products, such as coffee, corn, wheat and lumber.
- **Livestock and meat.** Livestock includes animals and animal products farmed for consumption, such as cattle, beef, pork bellies and milk.

Caribbean and Ghana Commodities

Country	Commodity
Ghana	Cocoa, Crude oil, Gold
Grenada	Nutmeg
Guyana	Crude oil, Gold, Rice, Sugar
Jamaica	Bauxite
Suriname	Crude oil, Gold
Trinidad & Tobago	Ammonia, Crude oil, LNG, Methanol

Commodities

Ammonia is a colourless gas with a pungent odour. It is found naturally in the environment mixed in air, soil or water and is also present in plants, animals and humans. Ammonia (NH₃) is formed when Hydrogen and Nitrogen react and is highly soluble in water. Ammonia is the second most manufactured substance in quantity in the world, after sulphuric acid.

It is used in wastewater treatment, refrigeration systems, and in the pharmaceutical, leather, rubber, paper, cosmetics and food and beverage industries.

Ammonia

The top importers of anhydrous ammonia in 2022 were the United States (14.4% of world imports), India (12.6%) and Morocco (12.2%)

About 90% of all ammonia produced is used in the agriculture industry. As a rich source of nitrogen it is used in fertilisers to sustain food production. It is often also used as an antifungal agent on certain fruits and as a preservative. Ammonia is also one of the main ingredients in a lot of household cleaning agents.

Bauxite, a sedimentary rock with a relatively high Aluminium content, was discovered by Pierre Berthe in 1821. The French geologist was the first to discover that the rock he found contained aluminium ore. The rock was named Bauxite years later, after southern France village Les Baux where it was discovered. Bauxite deposits are typically found in a wide belt around the Equator, with the largest reserves in Guinea, Australia, Vietnam and Brazil.

Bauxites are typically classified according to their intended commercial application: abrasive, cement, chemical, metallurgical, refractory etc.

Bauxite

More than 90% of the world production of bauxite is used in aluminium manufacturing.

China leads the world in Aluminium smelting. It is the largest producer of Aluminium and has the greatest reserves

Cocoa was first consumed in Mexico around 1,500 BC. Initially it was crushed, mixed with water and spices and consumed as a beverage. The Mayans and Aztecs quickly adopted the beverage and developed methods of cultivating cocoa beans. Cocoa is grown in regions close to the Equator, in wet tropical climates. Spanish discoverers, on tasting the beverage, took it back to Europe where it became very popular in the 17th century. The Spanish conquerors of the native tribes set up cocoa plantations to supply Europe as well as trade. European empires then started cocoa production in their colonies in Africa.

The three largest cocoa-producing countries are Cote d'Ivoire, Ghana and Indonesia.

Cocoa

The largest importers of cocoa in 2022 were the Netherlands (19.4% of world imports), followed by Malaysia (13.4%) and the United States (11.8%).

It was not until early in the 19th century that methods were discovered to allow cocoa to be produced as a powder, and then into chocolate bars. These developments changed cocoa from a luxury product, to one that was available to all levels of society. Beyond its use in the manufacture of chocolates, beverages and confectionery, the fat can be extracted from cocoa beans resulting in cocoa butter, which has a wide range of use in cosmetics. Cocoa's characteristic as an emulsifier sees it also being used in soap-making.

Commodities

In ancient civilisations, from the Egyptians to the Incas, gold has had an actual and symbolic value for mankind. It has been used as money for exchange, as a store of value, as valuable jewellery and artefacts.

Like silver and other precious metals, gold is considered a hard commodity because its production requires drilling or mining.

Gold

While it has functioned as a currency in the past, in today's world it does not because it is no longer issued by governments.

For investors and governments, gold remains a safe haven in turbulent economic times and a reliable and convenient way to store wealth. Its lustrous and metallic qualities, relative scarcity, and difficulty of extraction add to its enduring position as a valuable commodity. Gold was the second most popular commodity by traded volume in 2023, with 158,269 contracts.

LNG is natural gas in its liquid form. It is produced by purifying natural gas and supercooling it to -260 degrees Fahrenheit to turn it into a liquid. The first large-scale use of LNG was in 1918 when the US government used it to get Helium for British dirigibles (airships) during the first World War. LNG is a fast-growing commodity, with over half of worldwide natural gas now traded in this form.

At the end of 2023 it was confirmed that US had overtaken Qatar to become the World's largest exporter of LNG.

LNG

After China ended its 50-year reign as the World's top LNG importer in 2021, Japan reclaimed the top spot in 2022.

LNG produces 40% less carbon dioxide than coal and 30% less than oil, which makes it the cleanest fossil fuel. It does not emit soot, dust or particulates and produces insignificant amounts of compounds considered to be harmful to the atmosphere. However, some energy insiders have indicated that processing LNG is so energy and carbon-intensive that it can create almost 10 times more carbon emissions than piped gas. Transporting LNG also adds to its total emissions.

Methanol, the simplest alcohol (CH₃OH), is a chemical building block for hundreds of everyday products including plastics, paints, car parts and construction materials. It is also a clean energy resource, used in fuel cells as well as to fuel cars, trucks, buses, ships, boilers and cook stoves. It is primarily used as an industrial solvent to help create inks, resins, adhesives and dyes.

Methanex is the world's largest producer and supplier of methanol to markets in North America, Asia-Pacific, Europe and Latin America.

Methanol

Methanol can be produced from different feedstocks; from natural gas, waste and captured carbon dioxide combined with green hydrogen.

Increasingly, methanol is being considered as a clean and sustainable fuel rather than just a petrochemical. Almost all forms of methanol are expected to play a crucial role in decarbonising the shipping sector by 2050. The global methanol market was valued at US\$30.9 billion in 2023 and is projected to reach US\$38 billion by 2028.

Commodities

Thought to have the power to cure everything from the plague to flatulence to the common cold, nutmeg was the most coveted luxury in seventeenth century Europe, a spice held to have such medicinal properties that men would risk their lives to acquire it.

Whole dried nutmeg is widely used for flavouring in the food industry, meat and dairy products (sausages, soups, spice mixes) and also in homes.

Nutmeg

The nutmeg market size is estimated at US\$2.74 billion in 2024 and is expected to reach US\$3.59 billion by 2029.

Nutmeg is widely used in Asian cuisine and it is becoming popular in many parts of the world. The rising popularity of ethnic cuisines, such as Indian and Thai, has spurred the demand for spices such as nutmeg among food manufacturers. Europe is one of the major importers of nutmeg.

Petroleum or crude oil is the largest component of fossil fuels: hydrocarbons formed from the remains of animals and plants that lived million of years ago. The word petroleum means rock oil or oil from the earth. There are different types of crude oil, heavy, light, sweet and sour. The American Petroleum Institute (API) gravity number is the industry standard used to express the density of oil. The higher the API number, the lighter and more liquid the oil. Heavy crude has an API number below 22.3 while light crude has a number greater than 31. Heavy crudes are cheaper but cost more to refine.

West Texas Intermediate (WTI) is the North-American benchmark for light, sweet crude, while Brent is the benchmark for Europe, Africa and the Middle East. Both have an API of just below 40

Oil

Oil with high natural sulphur (0.5% or more) is 'sour' while oil with lower sulphur is 'sweet'. Sour crudes must undergo extra processing to remove the sulphur. WTI crude is sweeter than Brent.

Petroleum remains the lifeblood of transportation. Its refined products are used to manufacture almost all chemical products, such as plastics, fertilisers, detergents, paints, medicines as well as a vast array of products including heart valves and contact lenses. Many economists view crude oil as the single most important commodity in the world as it remains the primary source of energy production. WTI crude oil was the most popular commodity by traded volume in 2023 with 389,406 contracts. Brent crude oil was sixth with 76,286 contracts.

Some 85% of total rice production goes to human consumption. This compares to 72% for wheat and 19% for maize. Rice provides 21% of global human per capita energy and 15% of per capita protein.

Asian countries such as India, Thailand, Vietnam, Indonesia, China and Pakistan are major rice exporters.

Rice

African countries such as Ethiopia, Benin and Senegal are major importers.

China consumes more rice than any other country, with about 150 million metric tonnes consumed in 2023/2024. India is second with 118 million metric tonnes consumed in the same period. Rice is most commonly traded on the futures market, where investors buy or sell rice contracts for future delivery.

Commodities

<p>At the end of the medieval period, sugar was very expensive and was considered a fine spice; however, from around the year 1500, through technological improvements and New World sources, it became a much cheaper bulk commodity. Sugar became the top colonial commodity and was at the root of the 'triangular trade', where European shipowners exchanged trinkets for African men, who were then sold as slaves in America. The ships then returned to Europe with products from the colonies, including sugar.</p>		
<p>Sugar commodities include white, crystal and raw sugar as well as the by-products molasses and ethanol.</p>	<h2>Sugar</h2>	<p>Sugar was the seventh most popular commodity by traded volume in 2023 (73,505 contracts).</p>
<p>Derived from sugar cane and sugar beets, sugar is a vital sweetener used in the food and beverage industry. It is an essential ingredient in a wide range of products including confectioneries, baked goods, beverages and processed foods. Additionally, its role in ethanol production increasingly makes sugar both an energy commodity and a food commodity.</p>		

Implications

The trade in primary products has been a lynchpin of some Caribbean countries' economies for decades. Regional states need to use this history, experience and the linkages that exist, to begin manufacturing secondary products and even going along the entire value chain. Some effort has been made in this regard over the years, but more must be done in order to achieve greater economic stability and resilience.

Tourism

China's severed air links placed a damper on global tourism in 2023

- In 2019, Chinese travellers made 170 million trips abroad and spent \$248 billion, which accounted for 14 percent of the globe's foreign-travel spending.
- However, there was a marked decline in external travel by Chinese residents in 2023. As a result, the country's contribution to global tourism spending fell by \$129 billion from 2019 levels.
- In 2023, the pullback in Chinese travellers led to a 43 percent retraction in international airline routes and as a result, 45 foreign destinations were no longer served by direct flights.
- The decline in Chinese travellers was mainly attributed to lethargic economic growth and political friction with other nations, which continues to hinder the rebuilding of tourism-related ties.
- Also, conflicts in both the Middle East and Ukraine have complicated flying across long distances.

The state of China's air links with other destinations

Taiwan

- Some Chinese cities like Tianjin and Kunming are no longer served due to tensions between China and Taiwan.

Tourism

India

- There are no longer direct flights linking both countries due to a border dispute.
- Tensions are exacerbated by India's ongoing rapid ascent as an economic power, which may be a threat to China's strong global influence.
- India has been working to gradually reduce its reliance on Chinese imports.

US and Canada

- Because airlines in the US and Canada no longer traverse Russia, travelling to Asia is now longer and costlier.
- As a result, the number of cities in the US and Canada that are connected to China decreased by 50 percent in 2023 compared to 2019 (from 20 in 2019 down to 10 in 2023).

Europe

- More than a quarter of European cities that had nonstop flights to China now lack direct access. This includes Prague, Oslo and Nice. Also, the number of Chinese cities that have direct air links to Europe has fallen by a similar level.
- Some reports have also indicated that Chinese tourists are unwilling to spend the same amount of money prior to the pandemic just in case another economic shock occurs.

Middle East

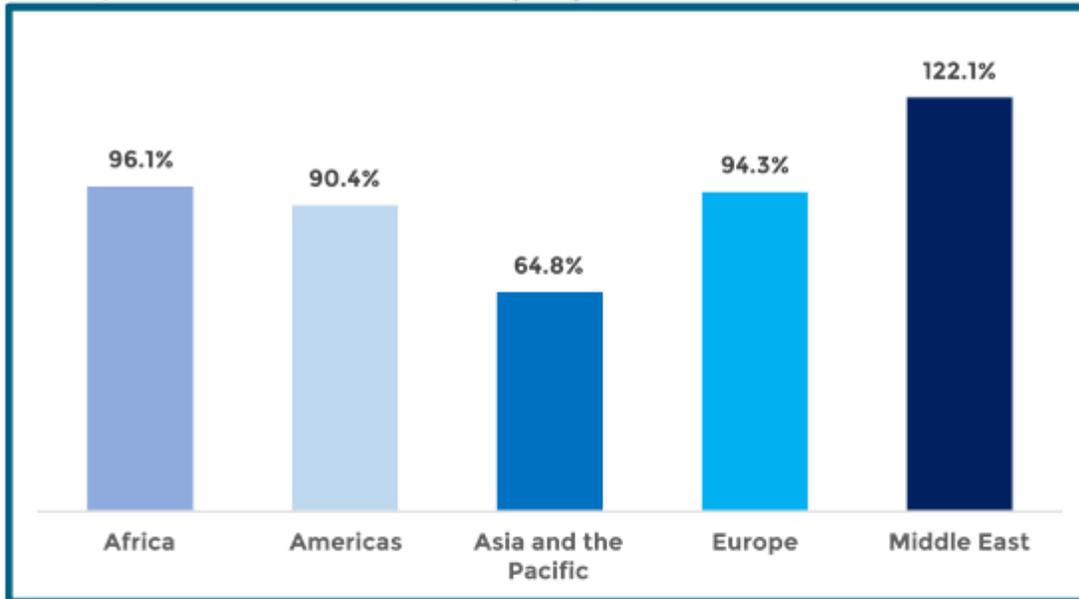
- Chinese tourist arrivals in the Middle East returned to pre-pandemic levels given both parties significant economic ties, with the Middle East being an important part of the One Belt One Road initiative.

Tourism to fully recover in 2024?

- According to the United Nations World Tourism Organisation (UNWTO), global tourism is set to fully recover from the pandemic in 2024, as international tourist arrivals will likely be 2 percent higher than in 2019.
- Despite the geopolitical instability in the Middle East and other parts of the world, the UNWTO forecasts that global air connectivity will increase and the Asian market will witness a strong recovery in tourism activity.
- In 2023, international travel reached 88 percent of pre-pandemic levels with 1.3 billion international travellers.
- The Middle East tourism market was the only region that fully recovered from the pandemic (Refer to Chart 1).
- Tourism arrivals in the Middle East surpassed pre-pandemic levels, while arrivals in the Americas, Europe and Africa registered recovery rates of 90.4 percent, 94.3 percent and 96.1, respectively.
- Although the Chinese market did not perform well in 2023, the UNWTO projects that flight capacity into and out of China will increase this year, after the government permitted visa-free travel for citizens of France, Germany, Italy, the Netherlands, Spain and Malaysia from January 1, 2024 to November 30, 2024.

Tourism

Chart 1: Recovery rate of international tourist arrivals in 2023 compared to the pre-Pandemic level (2019) by region



Source: UNWTO

The US competitiveness in the global tourism market declines

According to Euromonitor International, the US ranks 17th out of the top 18 travel markets in the category of **Global Competitiveness**. In 2023, the US received **67 million** visitors, recovering about **84 percent** of its pre-pandemic level (**79 million**), which is far behind the recovery rates of its major competitors. Furthermore, the US's global market share for long-haul travel declined slightly from **5.4 percent** in 2019 to **5.3 percent** in 2023.

Some key factors contributing to the US's decline in competitiveness in the global tourism market

- Under the World Economic Forum (WEF) Safety and Security Pillar, the US is considered to have challenges with violence and crime, which is a cause for concern when it comes to visitor safety.
- Excessive visitor visa wait times is a major deterrent for international travellers (Refer to Table 1). Also, the US ranks unfavourably when it comes to the number of countries it permits for visa-free travel, which is 42, considerably behind the 102 that the UK permits.
- Lengthy waits at Customs upon arrival in the US.
- Outdated airport security systems and the underutilisation of biometric screening.
- Lack of leadership on travel-related issues given that the US Congress is yet to fill or fully fund the position of an Assistant Secretary of Commerce for Travel and Tourism.

Tourism

Table 1: Key Categories in which the US fell short

Competitiveness in the Global Tourism Market Rank	High Level Federal Leadership	Visa Waiver Policies	Visa Wait Times	Customs and Entry	Biometric Capabilities
UK France Turkey	Thailand Brazil Greece	South Africa UK France	Australia Turkey Saudi Arabia	Italy Germany China	Thailand China Canada
Italy Canada	Saudi Arabia Turkey	Italy Spain	UAE China	Turkey Singapore	South Africa UK
UAE	South Africa	Germany	Singapore	Australia	UAE
Spain	Italy	Turkey	Thailand	Canada	Australia
Germany	China	Mexico	Brazil	France	Singapore
Greece	Canada	Brazil	Mexico	Spain	Germany
Thailand	Australia	Thailand	UK	UAE	USA
Australia	France	Canada	France	Saudi Arabia	France
Brazil	UAE	USA	Germany	USA	Brazil
Saudi Arabia	UK	UAE	Greece	UK	Spain
South Africa	Mexico	Singapore	Italy	Mexico	Italy
Mexico	Spain	Greece	Spain	Brazil	Mexico
Singapore	Germany	China	South Africa	Greece	Saudi Arabia
USA	Singapore	Saudi Arabia	Canada	Thailand	Turkey
China	USA	Australia	USA	South Africa	Greece

Source: U.S. Travel Association
 UK - United Kingdom
 USA - United States of America
 UAE - United Arab Emirates

‘Overtourism’ could pose a serious threat in 2024

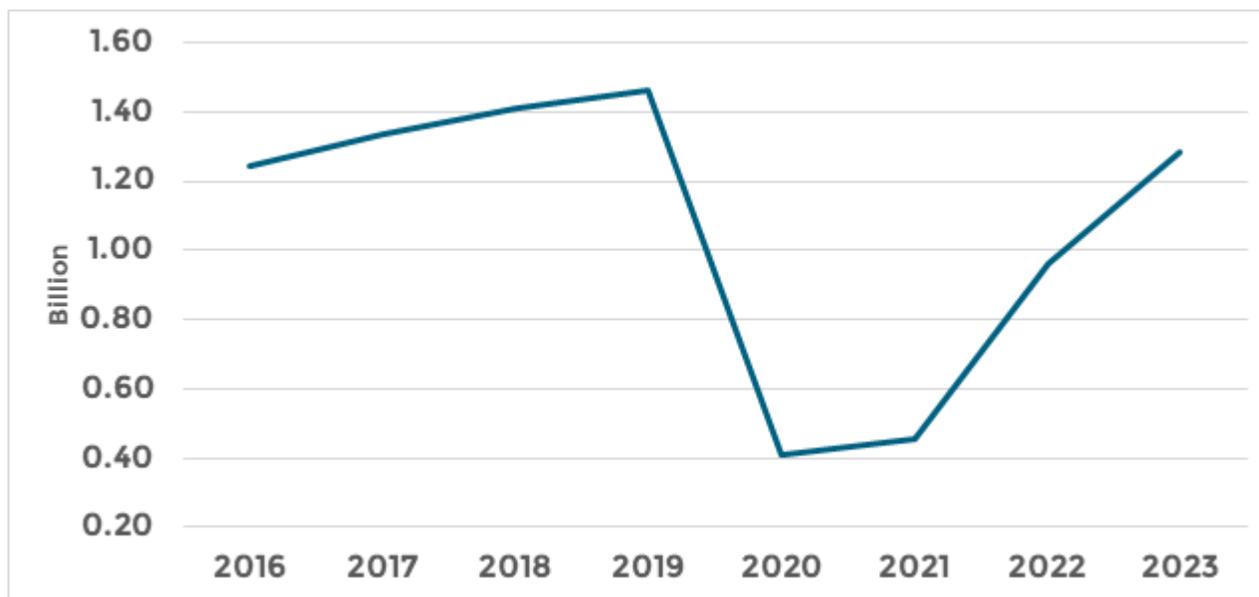
What is ‘overtourism’?

This is a situation where citizens in a particular tourist destination feel the experience has become worse due to the large number of tourists visiting the area.

According to the UNWTO, 2024 could be a record-breaking year for international arrivals across the world. In 2019, international tourists reached its highest level with 1.462 billion (Refer to Chart 3). Initial estimates indicate that international arrivals in 2023 were 1.286 billion, or 88 percent of 2019 levels. The UNWTO projects that international arrivals could surpass 1.5 billion in 2024. As a result, some popular destinations that are already struggling with ‘overtourism’ may receive even more visitors this year.

Tourism

Chart 3: International Tourist Arrivals



Source: UNWTO

Key factors that are driving 'Overtourism'

- Flying is "Artificially Cheap" given that aviation fuel, kerosene, is one of the few untaxed fuels in the world.
- Social media influencers in the travel industry who are seeking to build their own brands are advertising destinations and thus causing many travellers to flock to already popular tourist attractions.
- Tourism destinations across the globe are consistently pushing to increase visitor arrivals with little regard for the social or environmental impact.

Prominent Destinations struggling with 'Overtourism'

Amsterdam, The Netherlands

The city of Amsterdam has a population of approximately 1.1 million but was visited by around 5 million tourists in 2022.

Amsterdam has many apartments which are rented out mainly to tourists, creating housing shortages and thus, driving up rent prices for locals.

Tourism

Hawaii, USA

With a population of around 1.4 million, this US state attracted 9.2 million tourists in 2022. Locals are complaining that with the high number of tourists the beaches are dirty and unusable.

Venice, Italy

In 2022, the island city of Venice in Italy with a small population of just 55,000 people was visited by 4.6 million tourists. This large intake of tourists is placing some strain on the city's infrastructure and negatively impacting the experience for both tourists and locals.

Dubrovnik, Croatia

This port city holds a tiny population of 28,400 but hosted more than 1 million tourists in 2022. One of the main causes of 'overtourism' in this city is cruise ships offloading thousands of passengers daily.

Barcelona, Spain

Barcelona has a population of approximately 5.6 million and welcomed 9.7 million tourists in 2022. With this large influx of visitors, rent prices are soaring and there are even reports of locals displaying antisocial behaviour towards tourists.

Bath, UK

Bath in Somerset has a small population of 109,000 but attracts an average of 6 million visitors every year creating massive crowds in the city.

Implications

- Although the US tourism industry has lost some competitiveness, it remains a highly sought-after destination. This will provide both spin-off opportunity and direct competition for the Caribbean.
- The increased likelihood of 'overtourism' in some destinations this year could provide an upside risk for the Caribbean, as this provides the region with an opportunity to attract travellers who seek a quiet vacation experience, away from the overcrowded cities of Amsterdam, Venice or Barcelona.

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