The Absence of the Festive Boost

**OVERVIEW**

For many non-energy sector businesses, the fourth quarter of the year represents a period where the lead-up to Diwali, Christmas and Carnival festivities normally provides a boost to commercial activity. Unfortunately, with the cancellation of Carnival 2021, the unstable job market and great economic uncertainty, (all due to the pandemic) fourth quarter 2020 was destined to be decidedly unspectacular for most businesses. Based on the available evidence, this indeed was the case, notwithstanding some encouraging performances in some industries. At the same time, the domestic energy sector continued to be hamstrung by low international prices and falling production levels. There were also additional retrenchments in the sector, as BPTT announced the departure of 149 workers in December. The company indicated that the move was in line with its parent company’s decision to restructure its global operations in accordance with the realities confronting the international energy industry. In this setting, Republic Bank estimates that activity in the domestic economy fell by 2 percent from the previous quarter. The tepid activity in the stock market was reflective of these challenging conditions, with the Composite Price Index advancing by only 0.5 percent during the period. Congruent with weak aggregate demand, price pressures remained subdued, with only a marginal rise in the rate of inflation.

**ENERGY**

Concerns surrounding energy sector production intensified late in December 2020, when it was revealed that due to the disappointing results of its infill drilling, BPTT will not be able to provide its usual supply of gas to Atlantic LNG Train 1. Train 1 usually received 100 percent of its gas from BPTT. The Minister of Energy, Mr. Franklin Khan, moved to allay fears that the Train would be shut down, indicating that negotiations were underway to secure new suppliers. He also indicated that maintenance work would be performed on the Train in January 2021. Regarding overall upstream production, gas output fell by 12.5 percent in the fourth quarter of 2020, compared to the previous quarter and by 27.4 percent year-on-year (y-o-y) to 2,525 million standard cubic feet per day (MMSCF/d). The fall in production, though linked to natural depletion in the main, was also related to maintenance work in the upstream and downstream sectors, as well as weak global energy demand. Output from the largest supplier, BPTT fell to an average of 1,248.9 MMSCF/d from 1,678.8 MMSCF/d in third quarter 2020. By comparison, the decline in oil production was mild, with the 56,109 barrels per day registered during the period, being only 1 percent lower than the figure recorded in the third quarter and 4.9 percent below fourth quarter 2019 levels. The growth of ammonia production was one of the few bright spots in the downstream sector. Output increased by 6.6 percent over third quarter levels and by 2.1 percent on a y-o-y basis. Although methanol output was 33.7 percent above the mark set in the previous quarter, it was still 29.4 percent below the fourth quarter 2019 figure. In the mid-stream sub-sector, the manufacture of liquefied natural gas (LNG) fell on both a quarter-on-quarter (q-o-q) and y-o-y basis by 29.6 percent and 42.4 percent, respectively.

Given the disappointing production outturn, the country was not able to fully benefit from the slight increase in energy

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**TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS**

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<tr>
<th>INDICATOR</th>
<th>2019</th>
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<td>Retail Prices (% change)</td>
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<td>Gas Price (Henry Hub) (US$ per mmbtu)</td>
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prices that occurred during the period. The implications of this for government’s fiscal position and the country’s reserves of foreign currency are by now, all too familiar for most of us. During the quarter ended December 2020, West Texas Intermediate (WTI) oil prices rose to an average of US$42.50 per barrel from US$40.89 in the third. Likewise, Henry Hub gas prices increased to US$2.53 per million British thermal units (MMBTU) from US$2.

In the fourth quarter of 2020 exploration activity remained firmly below the levels recorded in the similar period a year earlier but improved when compared to the July-September 2020 period. During the period, total rig days climbed to 311 from 256 in the previous quarter but was less than the 387 posted a year earlier. Similarly, depth drilled was up 7.5 percent q-o-q but fell by 21.6 percent on a y-o-y basis.

NON-ENERGY
Using domestic cement sales as a proxy, construction activity expanded in the second half of 2020, after being constrained by measures designed to curb the spread of the virus, particularly in the second quarter. However, this recovery was not enough to prevent the sector from recording an overall decline for 2020. In terms of the fourth quarter, activity fell from the levels of the previous quarter but expanded significantly over fourth quarter 2019. On a q-o-q basis, the sale of cement contracted by 2.1 percent, although it increased by 19.4 percent over the same period in the previous year. The sale of new motor vehicles, which was traditionally used as a proxy for the distribution sector (now contained in the trade and repair sector) expanded by 24.4 percent over the previous quarter. This was partly owing to the rush by some consumers to acquire vehicles before the quotas and taxes announced in the 2021 Budget became effective. Nevertheless, new motor vehicle sales were 0.3 percent below fourth quarter 2019 levels. According to estimates from the Central Bank of Trinidad and Tobago, the manufacturing sector experienced a recovery in the third quarter of 2020, after being stymied by virus-related restrictions in the previous quarter. This momentum likely carried over into the final quarter of 2020. Disappointingly however, the sector’s capacity utilisation fell to 60.4 percent in the third quarter from 65 percent during the same period in 2019.

FISCAL
It must be said, that given the challenges confronting the energy and non-energy sectors, the alarm bells rung by the Minister of Finance surrounding government’s fiscal accounts were by no means a surprise. In February, Mr. Imbert revealed that for the first four months of the 2020/2021 fiscal year (October 2020 to January 2021), revenue was $1.8 billion or 13 percent short of the budgeted figure. This outturn was the result of a 9 percent ($436 million) fall in tax revenue and a 35 percent fall ($1.43 billion) in non-tax revenue. Although the decline in energy sector receipts was primarily responsible for the shortfall, non-energy revenue also declined during the period. The Minister indicated that should this trend continue, total revenue for the fiscal year would be $5 billion less than initially envisaged, leading to an actual deficit of $13.2 billion or 9 percent of GDP. In this context, government is expected to make further withdrawals from the Heritage and Stabilisation Fund (HSF), while persistent deficits will exert considerable upward pressure on public debt for the foreseeable future. In the fourth quarter of 2020, the country recorded a fiscal deficit of $1 billion and public debt ended 2020 at 82.7 percent of GDP.

MONETARY
In an environment where the demand for credit was tepid and system liquidity at record high levels, the commercial banks’ average basic prime lending rate remained at 7.57 percent in fourth quarter 2020. During the period, commercial bank loans to businesses expanded by 1 percent over the previous quarter and 0.4 percent over the same period in 2019. The demand for credit among consumers was similarly unimpressive, increasing by 0.8 percent q-o-q and 0.2 percent y-o-y. Although real estate mortgage loans rose by only 0.7 percent q-o-q, they were 4.1 percent above fourth quarter 2019 levels (figure 1).

In its December 2020 monetary policy announcement, the Central Bank’s Monetary Policy Committee (MPC), maintained the “Repo” rate at 3.5 percent. The MPC cited the highly uncertain global environment owing to the pandemic, subdued domestic economic conditions and low inflationary pressures for its decision. In December, headline inflation reached 0.8 percent, marginally higher than the 0.7 percent recorded three months prior. While core prices did not advance between September and December 2020, food inflation accelerated by 4.5 percent, after a notable pick-up (4.1 percent) in September (Figure 2). The advance of food prices is partly related to international supply pressures, as adverse weather and pandemic-related disruptions affected the production of certain agricultural products. Domestic producers faced similar challenges. The MPC also highlighted that the fall of domestic interest rates has resulted in the significant narrowing of the TT-US interest rate differentials for three-month Treasuries between August and November 2020. During that time, the spread moved from 86 basis points to just 6 basis points. If the spread falls into negative territory, local investors will seek more attractive investments abroad at an increasing rate. This will increase both capital flight and foreign exchange pressures, complicating monetary policy in the process.
RESERVES

Given suppressed inflows from the energy sector, the market remains very tight to say the least. The outcry related to the scarcity of foreign exchange has been growing since 2014 and this issue continues to be one of the main constraints affecting non-energy businesses. With no ease in sight, one can’t help but ponder how much more challenging the situation will be when the country’s borders are eventually opened, and/or economic activity improves, prompting the demand for foreign currency to rise above current levels. Regarding the fourth quarter of 2020, the net sale of foreign currency (the difference between purchases from and sales to the public by authorised dealers) increased by 13.2 percent over the previous quarter’s figure to US$360.8 million. However, this amount was still 9.1 percent below the outcome of fourth quarter 2019. After moves by the government to borrow on the external market and to withdraw from the HSF provided a small bump in the third quarter, the country’s stock of foreign exchange resumed its downward trend in the succeeding quarter. The net foreign position fell to US$10,308.1 million or 8.5 months of import cover (MIC) in December, from US$10,474.7 million (8.7 MIC) in September 2020. The TT-US exchange rate remained at TT$6.78 per US$1.

OUTLOOK

The short-term prospects for the domestic economy continue to be heavily dependent on how the events surrounding the COVID-19 pandemic unfold. The rollout of vaccination programmes in several regions enhanced the prospects for the global economy in 2021 and by extension the outlook for energy prices. However, the emergence of new virus strains, new rounds of lockdowns and the uneven distribution of vaccines among countries have stoked considerable uncertainty. Nonetheless, the US Energy Information Administration forecasts oil and gas prices to average US$59.74 and US$3.26, respectively in the first half of 2021. While this is encouraging, slumping production will limit the extent to which the domestic energy sector can benefit. The non-energy sector will be challenged by lingering COVID-19 issues and ongoing foreign exchange challenges. The absence of the Carnival related stimulus in first quarter 2021 has no doubt, added to these difficulties. Overall, economic activity is expected to be flat in the first half of 2021.
Overview

Most regional states that had not yet re-opened their borders to international tourists, began to do so in the fourth quarter of 2020, with the re-opening of hotels and the resumption of flights. The arrival numbers generally increased with each successive month but were nowhere near the 'normal' levels. Still, the resumption was welcomed. Several countries, however, saw a steady increase in their numbers of COVID-19 cases during this period as well. With 2020 in the rear-view mirror, estimates of statistics and key indicators emerged, and the numbers weren’t pretty. Despite late-year re-openings, tourist arrivals last year contracted significantly, across the region, with declines ranging from 58 to 75 percent. Beyond tourism, the pandemic fallout negatively impacted almost every key indicator, including unemployment, fiscal balance and debt. Every Caribbean country saw its economy shrink significantly in 2020, except Guyana, which recorded not just growth, but record-breaking growth at that.

There was never any real reason to think that the start of 2021 would be akin to turning a new page, (beside the actual calendar page) but there was hope. Hope that modest visitor arrivals would quickly pick up; hope that the region that did well in curbing the spread of COVID-19 would continue to do so; hope that the vaccines would be distributed quickly, smoothly, fairly; hope that the virus would be quickly brought under control; hope that the start of 2021 would be different from 2020.

Three months in, the reality is much different. In the US and UK, case surges that began in late 2020 intensified in January. That same month, regional tourism officials were left scrambling when the US joined Canada and the UK in requiring a negative COVID-19 test to enter their borders. The year-end increases in cases in many Caribbean states become surges in the new year, necessitating lockdown measures which forestalled any budding recovery. Further, because of the rising cases, Canada suspended all flights to the region from January 31st to April 30th. The developing world’s worst fears for vaccine distribution were realised… and then some. Developing countries find themselves firmly at the back of the line, with the international systems created to bring some equity to global vaccine distribution, not delivering as hoped. Global manufacture and distribution of vaccines has been unable to keep pace with demand, resulting in the surprising spectre of a spat between the European Union and the UK over vaccine delivery, complete with claims of bias and threats of blockades. Then there is the virus itself, which remains rampant, triggering yet another lockdown in some EU states even as they continue to vaccinate their citizens.

These developments, individually and collectively, have stymied recovery in the first quarter, pushing it further into the future. Still, there have been some positives. Beyond the tough lessons learnt, most regional states have been able to vaccinate some part of their population thus far, through vaccines gifted by the two most populous countries on earth, China and India.

Anguilla

With most hotels having re-opened in the last quarter of 2020, Anguilla saw a steady, albeit relatively moderate increase in arrivals. From 39 in September, arrivals increased to 135 in October, 624 in November and 1,321 in December. For the year, stay-over arrivals totalled 25,381, a 73.4 percent decline from the 95,375 visitors in 2019. Not surprisingly, total visitor expenditure fell by 71.5 percent over the same period to $125.7 million. The decline of the hotel and restaurant industry affected most other sectors particularly transportation, renting and wholesale and retail trade.

On December 18th, Premier, Ellis Lorenzo Webster presented the Budget for 2021 with the theme, “Restoring Anguilla’s Economy Innovatively and Sustainably”. He indicated that revenue had performed reasonably well despite the circumstances, with recurrent revenue for 2020 estimated at $183.3 million compared to the projection of $253.4 million. The total expenditure projected for 2021 is $226.7 million, while the anticipated recurrent revenue is $229.82 million. Anguilla began its COVID-19 vaccination programme on February 5th with the arrival of the first batch of 8,000 doses of the Oxford/AstraZeneca vaccine procured by the Government of the United Kingdom. Despite the significant economic disruption brought about by the virus, the island has done a good job in curbing its spread. As of February 28th, 2021 Anguilla, had recorded a total of 18 cases with no deaths.

Barbados

There was a modest pick-up in tourist arrivals during the fourth quarter as airlift improved and more hotels reopened. However, overall, there was a 71 percent drop in arrivals for 2020. Similarly, the cruise sector saw a 64 percent reduction in passengers. The construction sector contracted by over 3 percent as the uncertainty created by the pandemic reduced new private sector investment, mainly in the tourism sector. Over the last three quarters of 2020, banks and non-banks implemented various types of payment moratoria to assist their customers and minimise the risk of default. Nonetheless, the non-performing loans ratio rose moderately and profitability...
declined in the face of increased provisions, weak credit demand and falling loan rates. Credit to the non-financial private sector by deposit-taking institutions fell by 1.5 percent from 2019, with most of the contraction in the banking sector. Deposits, on the other hand, rose by 5.4 percent. Commercial banks remained well capitalised and highly liquid. The Central Bank estimates that the economy contracted by 17.6 percent in 2020.

In December, Barbados received a US$120 million loan from the Inter-American Development Bank (IDB) to help with the fallout from COVID-19. That month, 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 for the country’s economy. Increased borrowing, in tandem with a shrinking economy, resulted in the debt to GDP ratio climbing to 144 percent at the end of 2020 from 120 percent a year earlier. Gross international reserves continued its upward trajectory, ending the year at $2,661.9 million, equivalent to 40 weeks of import cover. An increase in COVID-19 cases that began in December, intensified in the new year. In response, the government implemented a national lockdown for virtually all of February which resulted in the loss of an estimated $150 million in economic activity.

British Virgin Islands

Beyond COVID-19, the British Virgin Islands (BVI) is facing challenges on multiple fronts. One of the appeals of the BVI to wealthy foreigners is the ability to open bank accounts and register companies while keeping their names secret. However, bowing to pressure from the UK government, in October, the islands’ parliament said it would introduce a public register of beneficial ownership, exposing the names behind the thousands of companies registered in the BVI. This will be of serious concern to BVI’s clients and will likely lead to an exodus of funds, as was the case when Switzerland ended its banking secrecy. On January 18th, BVI Governor, Guy Jaspert, launched an inquiry to investigate high-level corruption and interference with the country’s justice system. Widespread reporting about the inquiry, which is to be conducted by UK authorities, has raised the sceptre of reputation risk, with BVI’s Premier expressing fear about damage to the territory’s image in the eyes of potential clients abroad. Further, with Britain now out of the European Union (EU), the inquiry coincides with new threats toward the BVI and other British territories of blacklisting by the EU for being “non-cooperative tax jurisdictions”. In some positive news, the BVI began its COVID-19 vaccination programme on February 12th, having received 8,000 doses of the Oxford/AstraZeneca vaccine from the United Kingdom on February 4th. The vaccines have come at a good time, as while the BVI has a very small number of cases, there has been a steady increase in recent months, with 44 percent of the total cases as at February 28th, occurring in just the first two months of 2021 (Table 1)

Cayman Islands

Following growth of 1.9 percent in the first quarter, Cayman Islands’ GDP fell by 18.7 percent in the second quarter, resulting in an economic contraction of 11.4 percent for the first half of 2020. The Economics and Statistics Office (ESO) estimates that the economy contracted by 8.2 percent for the first nine months of 2020. The decline, due to lockdown measures and border closures was led by the hospitality sector, which contracted by 64.7 percent. Other services (-25.8 percent), wholesale and retail trade (-12.4 percent), transport (-12.1 percent) and the finance and insurance sectors (-0.7 percent) also contracted over the nine-month period. The ESO estimates that Cayman Islands’ economy contracted by 7.8 percent in 2020. The reduction in the cumulative contractions from 11.4 percent to the estimated 7.8 percent is indicative of a recovery in the second half of the year due to the removal of some lockdown measures. Early indicators point to increased activity in construction, real estate and financial services. Preliminary figures put the fiscal deficit for 2020 at $50.1 million, significantly lower than the $168 million deficit previously expected. As a result of the better-than-expected economic performance, in early February, Minister of Finance Roy McTaggart announced that the tourism stipend (an initiative to support out-of-work tourism workers) would be increased from $1,000 per month to $1,500 per month effective from February and extending to June 2021.

In mid-February it was announced that the Cayman Islands government has no firm plans to reopen the island’s borders to tourism. According to Premier Aiden McLaughlin, reopening hinges upon getting enough people vaccinated and persuading citizens to get the vaccine. He explained that while initially the country was eyeing a March reopening, the date will be based on getting at least 90 percent of the vulnerable population vaccinated. Recently, shipments of the Pfizer-BioNTech COVID-19 vaccine have been arriving from the UK.

Cuba

The Cuban government formally ended its dual currency system on January 1st, devaluing its peso for the first time since the 1959 revolution. The government set the exchange rate at 24 Cuban pesos to one US dollar, and the convertible Cuban peso, known as the CUC, will be phased out completely by June, leaving the island with one currency for the first time in more than 20 years. On January 11th, in its waning days in power, the Trump administration in the US re-designated Cuba as a “state sponsor of terrorism,” an act that could make it more difficult for the incoming administration to renew relations with the island. As a result of the designation, most travel from the US to Cuba is barred, as well as the sending of remittances to Cuba from relatives in the United States. In February, seeking to strengthen the economy, the Labour Minister announced that private businesses would be allowed to operate in most sectors, with the number of authorised activities expanded from 127 to over 2,000.

In early March, the government announced that Soberana-2, one of four home-grown COVID-19 vaccines being developed, will commence Phase III trials on 44,000 participants within the month. Eduardo Martínez, President of state pharmaceutical conglomerate BioCubaFarma, which is overseeing vaccine development, stated that thousands of people had participated in earlier trials of its Soberana-2 and Abdala vaccines, and the vaccines showed a “potent immunological response” and no
serious side effects. The news came at a crucial time as cases and deaths spike in Cuba following the government’s decision to reopen borders to international travellers in December. February 2021 became the country’s deadliest month yet with 108 deaths and 7,642 new cases. Beyond reducing COVID-19 cases and deaths, it is eagerly anticipated that a successful vaccine and vaccination campaign will increase confidence. Cuba’s tourist arrivals for the first two months of 2021, at 35,600, fell by 95.5 percent from the same period in 2020.

Dominica
In early February, Dominica received 70,000 doses of the Oxford/Astra Zeneca vaccine as a gift from the government of India. After giving 5,000 doses to Antigua Barbuda, Dominica began its COVID-19 vaccination programme on February 22nd. The vaccination initiative was boosted with the receipt of 20,000 doses of the Sinopharm vaccine from the People’s Republic of China. The country’s National Epidemiologist later stated that as of March 18th, over 14,583 people successfully received the first dose of the COVID-19 vaccine, representing 31 percent of the target population. Two weeks earlier, Dominica’s Prime Minister, Roosevelt Skerrit, had indicated that the country was well on track to vaccinate around 70 percent of its population by the end of summer 2021. On March 18th, the World Bank’s Executive Board of Directors approved a US $25 million credit for the first COVID-19 Response and Recovery Development Policy Credit for Dominica. This is the first of a two-part initiative geared to supporting the country’s COVID-19 response to save lives and livelihoods while laying the groundwork for longer-term economic recovery. In terms of longer-term recovery, on March 19th, Dominica’s Minister of Tourism, International Transport and Maritime Initiatives, disclosed that the construction of seven new hotels and resorts currently underway, is expected to result in a total investment of approximately $950 million, create 470 construction jobs and lead to the creation of 790 permanent jobs.

Guyana
In 2020, Guyana’s first year of oil production, the mining and quarrying sector expanded by 303.7 percent, with this growth driven by the emergence of the oil and gas support services industry. Notwithstanding this strong growth, oil production was affected by mechanical issues for much of the second half of the year, resulting in average output for the year from the Liza production facility of 74,300 barrels of oil per day, significantly below what was expected. Guyana did not fully capitalise on the steady rise in gold prices last year. Gold production fell by 7.8 percent, as lower extraction by the two large scale producers more than offset the strong production of small and medium scale miners. The agriculture, forestry and fishing sector is estimated to have grown by 4.1 percent, as growth in rice production (4.8 percent) along with other crops, and livestock industries, more than countered the contraction in the sugar sub-sector (3.7 percent) and that of forestry and fishing. Largely due to restrictions put in place to curb the spread of COVID-19, construction activities were significantly lower than in 2019, and the sector is estimated to have contracted by 6.3 percent in 2020. With the benefit of oil production for the entire year, Guyana’s economy is estimated to have expanded by 43.5 percent in 2020.

Average inflation for the year was low at 0.9 percent, as low international energy prices compensated for higher food prices. At the end of 2020, Guyana’s total public and publicly guaranteed debt stood at US$2,592.2 million, equivalent to 47.4 percent of GDP. On January 28th, 2021 government took steps to increase the country’s external and domestic debt ceilings from $400 billion to $650 billion and from $150 billion to $500 billion, respectively, both for purposes of regularising the outstanding liabilities inherited and to accommodate new financing. In early February, government presented the 2021 Budget. At $383.1 billion it is $53.5 billion larger than the 2020 Budget and is in fact Guyana’s largest ever budget. The budget is not supported by any new taxes and undoubtedly energy sector revenue will be a key factor. The sector is poised to make a greater contribution going forward, as in March, the country’s President Irfaan Ali announced that the Liza production facility had reached its production capacity of 130,000 barrels per day.

St. Kitts and Nevis
Like every other regional tourism-dependent state, St. Kitts and Nevis’ economy suffered a major set back from the pandemic and the restrictions it triggered. Tourism arrivals in 2020 fell by 75.3 percent to 29,695. Total visitor expenditure followed a similar path, declining by 75.3 percent from $509.8 million in 2019 to $123 million last year. The country officially
reopened its borders to international tourism on October 31st, with protocols and testing requirements that are more stringent than other destinations. This surely contributes to the country’s very low case number. As of February 28th, St. Kitts and Nevis had a total of 41 COVID-19 cases with no deaths. The authorities anticipate a strong economic rebound in 2021, with the recovery driven by tourism, construction, manufacturing, agriculture and ICT.

**St. Lucia**

According to the Eastern Caribbean Central Bank (ECCB), St. Lucia’s tourist arrivals fell by 69.2 percent from 423,736 in 2019 to 130,695 in 2020. Over the same period, total visitor expenditure shrank by 68.2 percent from $2,696.2 million to $858.2 million. Not surprisingly, the country’s total revenue declined by 23.5 percent from $1,187.9 million in the 2019/2020 fiscal year (April 1st – March 31st) to $908.4 million in the 2020/2021 fiscal year. Total expenditure increased by just 0.5 percent, and the government registered a fiscal deficit of 11.3 percent. A steady increase in COVID-19 cases in the last quarter of 2020 became a surge at the start of 2021. This prompted the scaling back of commercial activity from January 22nd to February 1st. Restrictions were expanded and intensified thereafter, and a State of Emergency was declared, with a 7:00 pm to 5:00 am curfew on February 3rd for a period of 7 days. By February 28th, St. Lucia had 3,390 cases of which 3,037 (89.6 percent) were from the first two months of the new year. The country’s journey toward taking charge of the virus began some weeks later, with the Ministry of Health announcing on March 6th, that 4,883 people had received the first shot of the COVID-19 vaccine. In some more positive developments, due to the government’s efforts to streamline procedures and processes and enact new legislation, Saint Lucia was officially removed from the European Union (EU) list of non-cooperative jurisdictions, for tax purposes on February 15th, 2021. In March, Prime Minister Allen Chastanet, presented St. Lucia’s 2021/2022 Budget. At $1,636.8 million, the package is 3.4 percent smaller than the previous one, with one of the stated areas of focus being the execution of capital projects.

**St. Vincent and the Grenadines**

St. Vincent and the Grenadines (SVG) experienced a 69.3 percent decline in its stayover arrivals in 2020, along with a 62.8 decline in total visitor expenditure from $317.3 million to $118 million. Preliminary data suggest that SVG’s economy contracted between 2.2 and 5 percent in 2020. Undoubtedly, the government would have faced vastly different expenditure and revenue realities from what was envisaged when the 2020 budget was presented in February of that year. Calculations suggest that actual expenditure at approximately $1,340 million was over 13 percent higher than the $1,184 million budgeted. SVG’s total public debt increased by 12 percent during the year, to end 2020 at $1,871 million.

After doing quite well in curbing the spread of COVID-19 within its borders for virtually all of 2020, new cases began to increase sharply in the final days of the year. The ensuing surge was so intense, that of SVG’s total number of cases of 1,556 as at the end of February, some 1,435 (92.2 percent) of them were recorded in the first two months of this year. On February 1st Minister of Finance, Camillo Gonsalves presented St. Vincent and the Grenadines 2021 Budget. He indicated that the $1.21 billion fiscal package will focus on implementing shovel-ready construction projects, facilitating opportunities for the agriculture and fisheries sectors, expanding the yachting subsector and preparing for the rebound in mass tourism, while continuing to make the types of social interventions necessary to protect the most vulnerable. In early February, scientists began 24-hour monitoring of activity at the country’s La Soufrière volcano after observing spreading of the volcano’s dome in recent weeks.

**Sint Maarten**

Significant declines in domestic and foreign demand led to a major drop in economic output in Sint Maarten in 2020. Domestic demand fell as lockdowns and restrictions reduced mobility and the provision of goods and services, cut wages and employment and lowered private consumption. Foreign demand plummeted as a sharp decline in exports outweighed the drop in imports. Except for utilities, output fell in all other sectors, with the largest decline in the restaurants and hotels sector, which in addition to restrictions on operations endured a major drop in customers as tourist arrivals fell by 66.7 percent in 2020. In a December 30th report, the Central Bank of Curacao and Sint Maarten estimates that Sint Maarten’s economy contracted by 26.8 percent in 2020. Average prices for the year increased by an estimated 1.2 percent.

Sint Maarten received liquidity support from the Netherlands to compensate for the loss of government income amid the pandemic and for the provision of financial support to the most affected groups in society. The liquidity support came in the form of 2-year zero-interest bullet loans which increased the territory’s debt-to-GDP ratio to an estimated 54 percent at the end of 2020. On March 19th, 2021 Moody’s Investors Service downgraded the St. Maarten government’s issuer ratings from Baa3 to Ba2 and changed the outlook to negative. This was driven by policy differences with the Netherlands (the sole source of financing for St. Maarten) and untested access to alternative sources of financing and reflects the risk that political differences between the two may lead to a repeat of the funding problems St. Maarten faced at the end of last year.

**Suriname**

With recent successes in neighbouring Guyana, major oil companies are eying Suriname as the next big oil player. ExxonMobil, Royal Dutch Shell, Total and Apache are all showing interest, hoping Suriname will provide oil at lower production costs than the average US production cost of almost US$50 per barrel. To encourage investment, Suriname is offering companies 30-year production-sharing agreements, around 10 years longer than those of Latin America’s other oil-rich countries. In January, Total and Apache Corporation made an important oil and gas discovery off the coast of Suriname at the Keskesi East-1 well, in Block 58; the fourth such discovery, with an estimated combined total of 1.4 billion barrels of oil equivalent resources. As Suriname’s promise as an energy producer grows, it is attracting interest and investment. In February it was announced that American
Airlines (AA) has included Paramaribo to its route network with five-times weekly flights set to begin in July.

The country continues to be challenged to honour its major debt commitments. A government statement in early March stated that Suriname asked its creditors for an extension of a payment deferral on its 2023 and 2026 notes. An agreement reached with creditors last year gave the country until March 24th, to secure a staff level agreement with the International Monetary Fund to buy it extra time to make its payments. In a statement on March 17th, the government explained, “There is a probability that the staff-level agreement will not be reached prior to March 24th, 2021, in which case the Republic will work towards reaching a staff-level agreement in the following weeks.” Following this, in a request to its creditors, Suriname said it wanted to defer all interest payments on its 2023 and 2026 notes to May 10th.

Region

After maintaining modest COVID-19 case numbers in 2020, Antigua Barbuda experienced a strong surge in 2021 such that 78.2 percent of its total cases prior to March 1st were recorded in the first two months of the year. Jamaica, already experiencing steady increases in cases since late August, also saw its case numbers accelerate in the new year. Like virtually all regional states, the country was significantly impacted by the pandemic, with economic activity contracting by 10 percent in 2020. The economic challenges continued into the new year, as Jamaica estimated that Canada’s ban on travel to the Caribbean will cost it US$350 million. Looking to the future, the country has set the target of vaccinating 65 percent of its population by the end of March 2022.

Outlook

States with commodity-based economies are likely to fare relatively well over the next six months. The current ‘encouraging’ oil prices will likely moderate in the second half of the year as more US producers resume production. The decline in oil prices may have a soft landing however, as it will coincide with slowly growing demand as economic activity increases in developed economies, with increasing percentages of their populations vaccinated. With stimulus measures still in place, gold prices should remain high over the near term. Food commodity prices should remain buoyant as well, as shortages and supply bottlenecks may not be fully resolved in the coming months. There is unlikely to be major improvement in international travel numbers over the next two quarters, so the recovery of the region’s tourism industry is likely to be slow. However, countries that have managed to vaccinate a fairly significant portion of their population and continue to curb the spread of the virus will likely see increased domestic economic activity.

If anything, the first quarter would have reminded many people about the potential downside risks and caused them to temper their expectations. However, there are possible upside developments as well. Vaccine production could accelerate in the coming months, with distribution to developing countries accelerating as the developed countries move closer to full vaccination. Also new vaccines are likely to complete trials and possibly gain approvals in the coming months. Regional states can be encouraged that one such possibility exists within the Caribbean itself.

Table 1: COVID-19 Status at February 28th, 2021 & Tourist arrivals – 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Total cases</th>
<th>Total deaths</th>
<th>Jan. &amp; Feb. 2021 Cases</th>
<th>Deaths</th>
<th>Jan &amp; Feb 2021 cases as a % of total</th>
<th>2020 Tourist arrivals ( % change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anguilla</td>
<td>18</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>27.8</td>
<td>-73.4</td>
</tr>
<tr>
<td>Antigua Barbuda</td>
<td>730</td>
<td>6</td>
<td>571</td>
<td>1</td>
<td>78.2</td>
<td>-58.4</td>
</tr>
<tr>
<td>Barbados</td>
<td>3,068</td>
<td>33</td>
<td>2,685</td>
<td>26</td>
<td>87.5</td>
<td>-71</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>153</td>
<td>1</td>
<td>67</td>
<td>0</td>
<td>43.8</td>
<td>-72.7</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>444</td>
<td>2</td>
<td>106</td>
<td>0</td>
<td>23.9</td>
<td>-67.5</td>
</tr>
<tr>
<td>Cuba</td>
<td>49,779</td>
<td>322</td>
<td>37,916</td>
<td>176</td>
<td>76.2</td>
<td>-74.6</td>
</tr>
<tr>
<td>Dominica</td>
<td>142</td>
<td>0</td>
<td>54</td>
<td>0</td>
<td>38.0</td>
<td>-75.8</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>239,617</td>
<td>3,100</td>
<td>68,832</td>
<td>686</td>
<td>28.7</td>
<td>-62.7</td>
</tr>
<tr>
<td>Ghana</td>
<td>84,023</td>
<td>607</td>
<td>29,252</td>
<td>272</td>
<td>34.8</td>
<td>NA</td>
</tr>
<tr>
<td>Grenada</td>
<td>148</td>
<td>1</td>
<td>21</td>
<td>1</td>
<td>14.2</td>
<td>-73.1</td>
</tr>
<tr>
<td>Guyana</td>
<td>8,585</td>
<td>195</td>
<td>2,253</td>
<td>31</td>
<td>26.2</td>
<td>-72.5</td>
</tr>
<tr>
<td>Haiti</td>
<td>12,448</td>
<td>249</td>
<td>2,433</td>
<td>13</td>
<td>19.5</td>
<td>NA</td>
</tr>
<tr>
<td>Jamaica</td>
<td>23,263</td>
<td>422</td>
<td>10,436</td>
<td>120</td>
<td>44.9</td>
<td>-67.2</td>
</tr>
<tr>
<td>St. Kitts Nevis</td>
<td>41</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>22.0</td>
<td>-75.3</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>3,390</td>
<td>35</td>
<td>3,037</td>
<td>30</td>
<td>89.6</td>
<td>-69.2</td>
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<tr>
<td>St. Vincent</td>
<td>1,556</td>
<td>8</td>
<td>1,435</td>
<td>8</td>
<td>92.2</td>
<td>-69.3</td>
</tr>
<tr>
<td>Sint Maarten</td>
<td>2,057</td>
<td>27</td>
<td>601</td>
<td>0</td>
<td>29.2</td>
<td>-66.7</td>
</tr>
<tr>
<td>Suriname</td>
<td>8,929</td>
<td>172</td>
<td>2,719</td>
<td>50</td>
<td>30.5</td>
<td>NA</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>7,713</td>
<td>139</td>
<td>563</td>
<td>12</td>
<td>7.3</td>
<td>-65.2</td>
</tr>
</tbody>
</table>

Sources: Caribbean Tourism Organisation (CTO), Eastern Caribbean Central Bank (ECCB)
Looking at the current global economic environment, COVID-19 has stolen the spotlight. It has been just over a year since the World Health Organization (WHO) declared the virus a pandemic and although there are some signs of convergence in terms of testing, vaccination, travel restrictions and other health protocols, every nation is coping with this crisis in its own unique way. However, for the business community, there is one question that remains, “How do they move forward?” This note seeks to answer this question with the help of real-world examples and other prudent advice.

Leverage technology
COVID-19 has arguably led to an era of accelerated technological adoption or tech-celeration. Video-conferencing, remote work, online learning, cashless transactions and telehealth services have all increased during the pandemic period. By the start of 2020, approximately 10 million people were partaking in meetings on Zoom; this number shot up to 300 million by the end of April 2020. This phenomenon is undoubtedly pushing many businesses to pivot and evolve in order to stay afloat during these uncertain times. Consequently, many entrepreneurs and small business owners found themselves in a mad scramble to quickly incorporate various technologies into their business models. However, this is not a strange occurrence as a similar trend occurred after the 2008 International Financial Crisis (IFC), with cloud computing usage increasing after the stock markets crashed.

Unfortunately, some emerging and developing economies are not on equal footing with the major economies when it comes to adequate technological resources. Families in countries with less resources are more likely to suffer from unreliable Wi-Fi and reduced access to online devices. This can complicate online schooling for many such families. For example, households with an average of three children may encounter difficulties in adopting online education with just one device or tablet. According to the World Bank, the pandemic disrupted education for 90 percent of the world’s children and as a result, could lower average years of schooling by 0.6 years. Given that the online education market is projected to grow from US$101 billion in 2019 to US$370 billion by the end of 2026, this doesn’t augur well for less developed economies.

In facing these challenges, man’s ability to leverage technology will once again prove useful. Recently, a German father of four from the city of Mainz, invented a vacuum called the Aerovac, which removes COVID-19 from classrooms. Innovations like these may help reduce the time and cost of sanitising schools, and thus make it possible for them to reopen earlier. Unsurprisingly, Aerovac’s creator has since received funding from the European Union (EU), allowing for further development and production of the device.

Bridge the generation gap
Still, the notion of becoming technologically nimble in today’s ever-changing environment is easier said than done for many people. In some instances, age can affect some people’s ability to adapt to major changes. Older individuals may encounter challenges in learning new skills or grasping new concepts of doing business. Nevertheless, this problem provides the perfect opportunity for the older and younger generations to work in tandem to provide the perfect mix of experience and innovation to propel businesses forward.

Get creative
Business models that are similar to UberEats, GrubHub and Deliveroo are well positioned, as the global online food-delivery industry is expected to reach US$182 billion by 2024 from US$136 billion in 2020. Many close-contact industries were hard-hit by the pandemic and as such, restaurants and bars were negatively impacted. This resulted in the emergence of ghost kitchens and food delivery services as opposed to in-dining services. However, some restaurants did not capitulate under the pressure and sought to bring the fine-dining experience to customers at their home in a safe and affordable manner. One local entrepreneur is currently providing fine-dining services to families of no more than five people with a full three-course meal service. In another creative approach, a successful Michelin-star restaurant in London created a unique delivery box that is specifically designed to convey its five-star meals safely to one’s home without spillage and with the garnish still intact. In the words of female Ethiopian economist Eleni Zaude Gabre-Madhin, “Anywhere the struggle is great, the level of ingenuity and inventiveness is high.” In other words, tough situations can bring our most creative ideas to the fore.

Roll with the punches
Another close-contact industry that encountered challenges during the pandemic was the fitness and wellness studios sub-sector, as many trainers, instructors and gym owners were forced to close up shop. Now that the world is beginning to better cope with the virus, some gyms have reopened and fitness instructors are back out to work. Although the industry...
has ramped up its health protocols in an attempt to offer a safe experience for its clients, some people are still hesitant to renew their gym membership. However, a company called Moxie, learned to roll with the punches and provided an online platform with live and on-demand workouts for people to perform in the comfort of their home.

Prior to the pandemic, Moxie was mainly involved in building software for large companies and was on the cusp of launching several big projects. Then 2020 happened and the disruptions caused by the pandemic pegged them back. As a result, many of their projects were cancelled. Instead of complaining, they made the best of a tough situation and realized that sometimes a problem can give birth to a good business idea. One such problem was that, although gyms and fitness studios were closed, many people still wanted to remain active. Moxie also realized that instructors were also encountering challenges in transitioning to online classes and thus, understood the pain points of both parties, gym goers and fitness instructors. As a result, they created an online platform for instructors to upload their workouts and a place for wellness seekers to keep their active lifestyle.

One major retailer in Trinidad and Tobago is also learning to make lemonade when life hands them lemons. Due to the pandemic and the country’s foreign-exchange woes, the company is closing two of its branches in the East and introducing an online shopping service for its clients. Now although this company’s online platform was already operational since 2014, pivoting will still be less than rudimentary. Yes, undoubtedly, they have a head start over other competitors but to any experienced business owner, retraining and shifting workers to e-business and new fields of work can often feel like rebuilding a plane in mid-flight... it is no easy task.

Opportunities in Environmental Sustainability

If there is one lesson that the world can take away from the pandemic, it would be that the health of the global economy is somehow related to the health of the earth’s inhabitants. Flowing from this, many have realized that people’s incessant desire for good physical health and longevity means very little, if the very planet they live in, is a ticking time-bomb. Thus, some companies are beginning to create business solutions that centre around environmental sustainability. From our methods of transport, all the way to how we grow our crops, new and creative ways are being found to efficiently exist whilst preserving Mother Nature.

Recently, it was discovered that cows, through their bodily excrements, produce approximately 10 percent of the world’s methane gas, which is 25 times more potent than carbon dioxide at trapping heat, which contributes to global warming. Scientists are now exploring options such as vaccines or incorporating seaweeds into livestock feed, which can both help lower the amount of methane produced by cattle whilst digesting their food. Of course, if the world goes meat-free, there will be no need for man to tinker with the gut microbiomes of cows, but the global populace may not be ready for such a drastic change to their diets.

One local conglomerate is also upgrading its business model by offering greener solutions via the launch of its recycling services. Furthermore, they are taking advantage of the growing export potential for used lead acid batteries and waste vegetable oil. Later this year, their intention is to roll out collection points at convenient locations and some of the recyclable products that are on their list include, waste-paper, aluminum cans, lead batteries, cardboard and cooking oil.

Listen to the Right Voices

“Necessity is the mother of invention”, and during times of global uncertainty, humans can channel new levels of creativity to ensure their survival. Such was the case during World War II, as this unforgettable military conflict propelled the development of radar, data encryption and nuclear energy. However, periods of crisis can often be like a double-edged sword. On one hand it can foster invention but on the other, it can also nourish the seeds of hate and avarice. As shown earlier, the pandemic has propelled the development of new technologies, systems, ways of doing business, and methods of connecting with one another. It has fostered new health care techniques, illustrated the efficacy of simple measures in combating a range of diseases spread by air and droplet infection and brought about the development of vaccines in record time. However, beyond the economic disruption and job losses, it has also provided an outlet for pre-existing hatred and xenophobia, typified by the significant increase in violent and sometimes fatal attacks on members of the Asian community in the US over the last year, and highlighted greed and selfishness on national scales as seen by the acrimony and contention that has arisen over the inequitable distribution of vaccines. This is why it is critical to listen to the right voices especially during times of economic hardship.

In this note, we sought to bring real-life examples of how business-owners can move on, but it must be stressed that every situation is different. Some business-owners may have a higher chance of receiving funding or may be better connected in the global market. Hence, the previous examples should not necessarily be carbon-copied but should serve to broaden and guide one’s thinking. In closing, we at Republic Bank Limited understand that attaining guidance from the plethora of success stories out in the public domain is indeed a tough task as it is often difficult to separate fact from fiction. That is why, we can offer the right voice and sound financial advice for business-owners through our services such as the SME Toolkit. Currently, the SME Toolkit is offering COVID-19 business-related articles, webinars and other resources geared towards helping start-ups and established business-owners cope with disruptions and grow their business in these challenging times. We believe it will be beneficial to check out the SME Toolkit by visiting the website at republicsmetoolkit.com or contacting us to learn more about this service.

Going forward, we believe that following the information and examples offered in this note can benefit you and your business. Remember, making positive changes is always difficult but it is through these changes that we become better...and move from surviving to thriving.