

Republic Economic

NEWSLETTER

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A Negative Performance Amid Continued Constraints

OVERVIEW

Constrained, is certainly one of the words that can be used to describe the performance of the domestic economy in the second quarter of 2024. To begin with, the energy sector is estimated to have registered a substantial contraction during the period, with widespread slides in output in both the upstream and downstream sub-sectors. Secondly, the usual barometers of non-energy sector activity suggest a mixed performance when compared to the previous quarter and the second quarter 2023. Regarding the labour market, the latest available data indicate a marked rise in unemployment to 5.4 percent in the first quarter of 2024 from 4.1 percent in the fourth quarter in 2023 (Chart 1). Increased unemployment was recorded in construction, wholesale and retail trade, restaurants and hotels, and transport storage

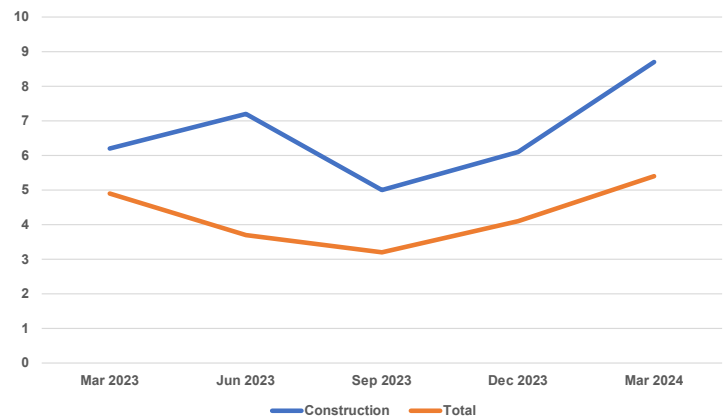
and communication. Given the foregoing, Republic Bank Limited estimates that the domestic economy registered a quarter-on-quarter (q-o-q) contraction of 2.5 percent in the second quarter. These disappointing developments were accompanied by the continued weak performance of the domestic stock market, with the Composite Price Index (CPI) falling 5.6 percent at the end of the second quarter of 2024 compared to the end of the previous quarter. The CPI was also down 7.3 percent on a year-on-year (y-o-y) basis.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

INDICATOR	2023	2023.2	2024.2 p/e
Real GDP (% change)	1.5	1.1	-2.5
Retail Prices (% change)	4.6	-0.4	-0.3
Unemployment Rate (%)	4.0	3.7	5.0
Fiscal Surplus/Deficit (\$M)	- 3,411.5	- 678.5	-3,134.7
Bank Deposits (% change)	2.4	-1.5	-1.0
Private Sector Bank Credit (% change)	9.3	2.8	1.4
Net Foreign Reserves (US\$M)	10,025.9	10,451.4	9,788.8
Exchange Rate (TT\$/US\$)	6.72/6.78	6.72/6.78	6.72/6.78
Stock Market Comp. Price Index	1,214.05	1,216.36	1,127.79
Oil Price (WTI) (US\$ per barrel)	77.58	73.49	81.77
Gas Price (Henry Hub) (US\$ per MMBtu)	2.54	2.16	2.08

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

Chart 1: Unemployment Rate (%)



Source: CSO

ENERGY

The energy sector suffered widespread production declines during the second quarter. In the upstream sector, oil production fell by 1 percent from the levels of the previous quarter to average 49,356.8 barrels per day (b/d). This figure was 11.4 percent below the average recorded in the second quarter of 2023. Developments in the gas sub-sector were perhaps a bit more concerning,

as output fell below 2,000 million standard cubic feet per day (MMSCF/D) for the first time in 22 years in June 2024, measuring 1,959 MMSCF/D. Overall, gas output averaged 2,310 MMSCF/D in the quarter, 12.5 percent below first quarter 2024 output and down 10.2 percent on a y-o-y basis. The major falloff in June, was primarily the result of a temporary halt in production in Woodside's facility due to safety reasons. However, two other major producers, BPTT and Shell recorded respective declines of 21 percent and 7 percent during the month. With gas production down, it was no surprise that activity in the downstream and mid-stream industries suffered. In the midstream, liquefied natural gas (LNG) output decreased by 18.4 percent q-o-q and 16.7 percent y-o-y, while in the downstream sector ammonia, urea and methanol production fell by 14 percent, 30 percent and 7 percent, respectively, compared to first quarter 2024. On a y-o-y basis, urea output increased by 1 percent in second quarter 2024, while ammonia and methanol posted declines of 9.8 percent and 6.8 percent, respectively.

Against this backdrop, the domestic economy was not able to take full advantage of the rise in international oil prices that took place during the quarter. During the period, the average West Texas Intermediate (WTI) spot oil price rose to US\$81.77 per barrel (pb) from US\$77.50 pb in the preceding quarter and US\$73.49 pb a year earlier. On the other hand, gas prices fell to US\$2.08 per million British thermal units (MMBTU) between April and June 2024, down 2.3 percent q-o-q and 3.7 percent y-o-y.

As it relates to the barometers of exploration activity, the developments were decidedly more positive, with rig days increasing substantially during the second quarter (16.1 percent q-o-q and 46 percent y-o-y) and depth drilled rising 3.7 percent q-o-q and 74.3 percent y-o-y.

NON-ENERGY

Judging by cement sales, which are usually a good gauge of the performance in the construction sector, activity in the industry likely intensified in the second quarter of 2024. After contracting on a y-o-y basis in the first quarter of 2024, domestic cement sales expanded by 3.7 percent y-o-y in the ensuing quarter and was 11.4 percent above the levels recorded in the January-March 2023 period. Given the link between construction sector activity and cement sales, it is no surprise that the 2.9 percent fall in cement sales that occurred in the first quarter, coincided with a rise in construction sector unemployment to 8.7 percent from 6.1 percent in the previous quarter and 7.2 percent in the first quarter of 2023. Unlike construction, activity in the trade and repair sector seemed to have softened during the

second quarter of 2024. New motor vehicle sales, which are used as a gauge of the health of some aspects of the sector, contracted by 14.3 percent when compared to the previous quarter and 5.1 percent y-o-y. The retail sales index, which expanded by 3.9 percent in the first quarter, likely registered another expansion between April and June 2024, even if subdued compared to the 5.8 percent growth recorded in the same period in 2023.

FISCAL

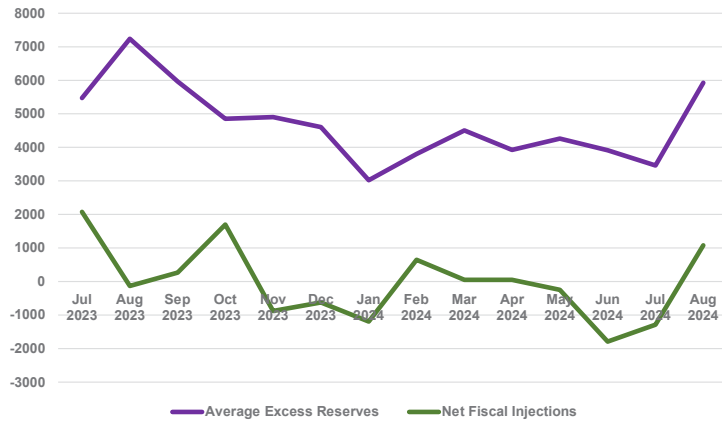
In the Mid-year Review for the 2023/2024 National Budget, the government revealed that it was expecting a \$3 billion revenue shortfall, relative to initial estimates, due to lower than projected energy prices. Consequently, the expected deficit for the fiscal year was adjusted to \$9 billion compared to the \$5.2 billion that was originally envisaged. It turned out that the actual 2023/2024 deficit was \$7.1 billion (3.5 percent of GDP). In the second quarter of 2024, government incurred a \$3,134.7 million deficit, compared to \$678.5 million a year earlier and \$2,243.2 million in the first quarter of 2024. This was the result of an appreciable decline in revenue, which was paired with a moderate increase in expenditure. During the period, total revenue fell by 16.3 percent to \$10,964.5 million from \$13,106.6 million in the second quarter of 2023, with the 41.2 percent plunge in energy revenue outweighing the 2.7 percent rise in non-energy revenue. The 2.3 percent increase in total expenditure to \$14,099.2 million was the result of increased current spending, as there was a marginal decline in the capital component.

MONETARY

With effect from July 24th, 2023, the Central Bank took the decision to reduce the primary reserve requirement of commercial banks from 14 percent to 10 percent of prescribed liabilities. The move was in response to falling liquidity in the banking system and resulted in an immediate estimated \$3 billion increase in commercial banks average excess reserves. Average excess reserves fell to \$3,462.4 million in July 2024 from \$4,604.1 million in December 2023 and \$5,473.4 million in July 2023 (Chart 2). In August 2024, the month after the adjustment to the primary reserve requirement, system liquidity averaged \$5,923.3 million. While there are several drivers of excess liquidity in the financial system, net fiscal injection (government's fiscal operations) is usually the main impetus. As the name suggest, it is the net effect of government's revenue collection, spending and financing operations. While revenue collection and the acquisition of new debt extract from the system, government spending and loan repayment add liquidity to the system. When fiscal operations result in a net withdrawal from the system, it usually results in a fall in liquidity (excess reserves). During the period October 2023 to

July 2024, government recorded a net withdrawal of \$3,577.6 million compared to a \$5,316.8 million injection in the same period a year earlier.

Chart 2: Commercial Banks Average Excess Reserves & Net Fiscal Injections (\$Mn)



Source: CBTT

Price increases were subdued between April and June 2024, with headline inflation averaging 0.7 percent, compared to 5.8 percent a year earlier. Regarding the major components of inflation, food prices increased by an average of 2.2 percent, down from 10.3 percent, while core inflation eased further to 0.3 percent from 4.8 percent.

On September 18th, 2024, the US Federal Reserve (Fed) announced its first policy rate cut in four years, reducing its benchmark rates by 50 basis points to the 4.75 – 5 percent range. This move will, no doubt, be welcomed by the Central Bank of Trinidad and Tobago (CBTT) as it will help to ease some of the external pressures it currently faces, with some domestic investors being drawn to the more attractive yields in the US. The Fed’s action is expected to result in a fall in the US-TT short-term interest rate differential, which stood at -305 basis points in July. Regarding the domestic policy rate, the Repo rate, it was held at 3.5 percent in the CBTT’s monetary policy announcement on September 27th, 2024. Accordingly, the commercial banks’ average prime lending rate remained at 7.57 percent in the second quarter

of 2024. In this setting, the demand for credit remained at encouraging levels, with consumer loans expanding by 2 percent over the previous quarter and 8.7 percent y-o-y. Similarly, business loans increased by 1.4 percent q-o-q and 7.3 percent y-o-y, while outstanding mortgages grew by 5.7 percent over second quarter 2023 levels and 1.6 percent q-o-q.

RESERVES

The market for foreign exchange remains tight, with the country’s reserves, represented by the net foreign position, falling to US\$9,788.8 million in June 2024 from US\$10,451.4 million in June 2023. In terms of import cover, however, the June 2024 figure represented 8.4 months of import cover (MIC) while the June 2023 figure provided 8.3 MIC. In the second quarter of 2024, the net sales of foreign currency (the difference between sales to the public and purchases from the public by authorised dealers) increased by 10.3 percent compared to the previous quarter but were 14.9 percent below the figure in the second quarter of 2023. The TT-US exchange rate remained at TT\$6.78 per US\$1.

OUTLOOK

The domestic economy is expected to record a positive but constrained performance in the second half of 2024, driven primarily by developments in the non-energy sector. Construction activity is expected to strengthen somewhat as government moves to complete key projects heading into an election year. At the same time, several industries in the wholesale and retail sector are expected to benefit from the usual seasonal boost provided by Divali, Christmas and the events leading up to Carnival celebrations. Unfortunately, no major improvement is expected regarding energy sector production and prices during the period. Consequently, it will be no surprise if the industry registers another negative performance in the second half of 2024. While inflationary pressures are expected to remain contained, unfavourable global events and/or extreme weather phenomena domestically could stoke upward movement in the price of food and other commodities.

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The *Seasonal* and the **Transformational**

Overview

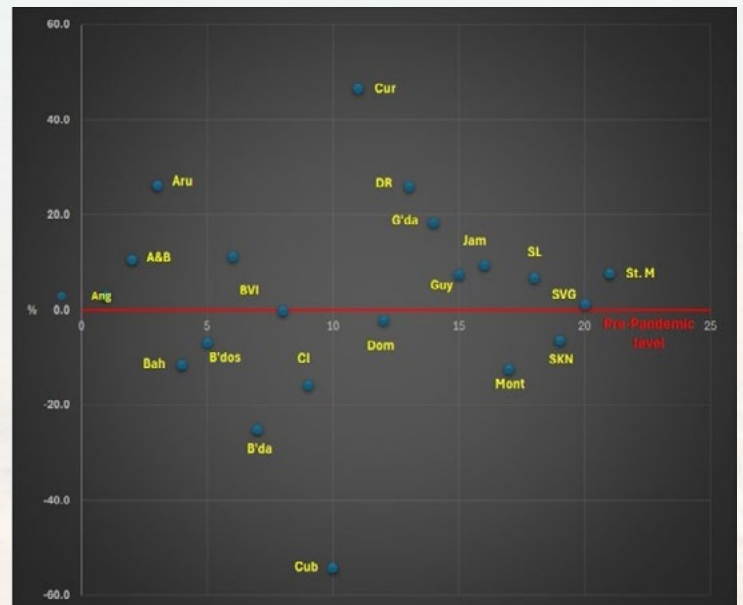
At the Fourth International Conference on Small Island Developing States (SIDS 4) hosted by Antigua & Barbuda in early June, low fertility rates, ageing populations, non-communicable diseases, limited opportunities for youth, and outmigration were highlighted as some of the demographic trends in the Caribbean region. Three examples of low fertility rates in this article, make this transformational threat real. Further, news that 22 of the 26 Caribbean countries are in similar positions makes this threat really concerning.

As primarily small, developing states whose trade and revenue streams are often dependent on conditions in the major economies, global developments often have an oversized impact on most Caribbean countries, particularly their key economic drivers (tourism, agriculture and energy exports). The COVID-19 Pandemic of 2020 was about as big a development that one could imagine. In the ensuing years, the region's tourism sector enjoyed a steady, but patchy recovery, with some states lagging while others outperformed larger countries. More than four years on from the initial lockdowns, with the pandemic firmly in the rear-view mirror, the tourism industry of most Caribbean states have recovered, with the ongoing challenges faced by others largely endemic (see Chart 1).

All things considered, the second quarter of 2024 was generally stable. While global food and fuel prices increased somewhat during the period, the full effect may not have yet impacted the consumer. Further, the quarter saw the shift from the 'pause' in interest rate increases to a phase where interest rate reductions seemed imminent. In the Caribbean, tourist arrivals were generally buoyant, and the region enjoyed a rare moment as it (together with the United States) successfully hosted cricket teams and fans from around the world for the month of June, during the ICC T20 Men's Cricket World Cup. However, before the confetti from the finals' celebration was even cleared from Kensington Oval, Caribbean nationals as well as some Indian and South African supporters had to hunker down during the passage of Hurricane Beryl in the first few days of July. The trail of destruction left behind in some of the smaller satellite islands, was another reminder of the danger of this transformational threat the region is powerless to stop.

Citius – Altius – Fortius: Faster, Higher, Stronger – The original Olympic motto. Caribbean athletes certainly took this motto to heart at the July-August Paris 2024 Olympics. The spread of medal-winners was about as broad as it has ever been, with four CARICOM member states, two of them for the very first time, celebrating Olympic success and the excellence this can inspire in successive generations.

Chart 1: Q II 2024 arrivals compared with Q II 2019



Source: Caribbean Tourism Organisation (CTO)

Anguilla

Though it appears to have lost some impetus, Anguilla's tourism sector continues to grow. Following the 14.9 percent increase in stay-over arrivals from the first quarter of 2023 to the first quarter of 2024, the 26,534 arrivals for April-June 2024 were 4.9 percent higher than the same period the previous year. The US remained the main source market for the country's visitors. Not surprisingly, tourism expenditure followed a similar pattern, with the EC\$112 million of the second quarter just 2.6 percent higher than that of the previous year, compared to the 11.7 percent first quarter increase. In July, the government announced that it would extend medical assistance to nearly 1,200 people aged 70 years and over under its new Senior Shield programme, with the beneficiaries to be exempted from

paying for medical services and medication at government healthcare facilities. The programme is to be expanded further to cover people on dialysis, those with disabilities and children under five. To support these objectives the government passed a supplementary budget of US\$1.9 million.

Barbados

In late June, the Minister of Industry, Innovation, Science and Technology Marsha Caddle disclosed that based on the 2021 census data, Barbados' population is in decline with the estimated resident population falling from 277,821 in 2010 to 269,090 in 2021. This was accompanied by a shift in demographics, with the 55-59 age group now the largest in number, a position previously held by the 35-39 age group in 2000. Barbados has had a banner year thus far in terms of tourist arrivals. Following year-on-year (y-o-y) growth of 14.8 percent for first quarter 2024, second quarter arrivals grew by 22.9 percent to 153,169. In the region's tourism-based countries, June often sees the lowest arrival numbers in the second quarter and even in the first half of the year. The high arrivals number this June, as well as the significantly larger y-o-y increase for this month, relative to the other months in the second quarter of 2024, as seen in Table 1, would have almost certainly been due to cricket fans, especially given Barbados' role as host of the finals of the ICC T20 Cricket World Cup. Similar increases were experienced by most other World Cup host countries.

The unemployment rate fell from 8.9 percent in the first quarter of 2023 to 6.9 percent in the quarter ending March 2024, the lowest on record for a first quarter. Higher employment levels in tourism, construction, manufacturing, wholesale & retail, government as well as finance, insurance & other business-related services, contributed to the improved outturn. Despite this positive trend, the labour force contracted by 6,600 persons, primarily due to retirees increasing by 4,900 individuals. The Central Bank of Barbados indicated that the island's economy grew by 4.5 percent in the first half of 2024. Public sector debt declined from \$14,898.8 million in March to \$14,693.4 million in June, equivalent to 105.3 percent of GDP. Over the same period, gross international reserves declined marginally from \$3,250.4 million to \$3,245 million in June, representing 32.2 weeks of import cover.

The quality of commercial bank loans continued to improve, with the ratio of non-performing loans (NPL) to gross loans falling to 4.7 percent at the end of June 2024, compared with 5 percent at end of December 2023. Commercial banks have committed to adhering to new Central Bank Market Conduct Guidelines which came into effect on July 12th. The guidelines set minimum standards for interactions between licenced financial institutions and their clients in five key areas: bank fees and charges, accessibility, opening accounts, closing accounts, and complaints.

Table1: 2024 Tourist arrivals and the percentage increase over 2023

	April	May	June
Antigua & Barbuda	28,801 1.7	24,931 22.8	25,600 41.8
Barbados	54,171 19.9	49,682 16.2	49,316 34.5
Dominica	6,430 8.5	7,131 37.7	6,067 45.2
Guyana	30,050 5.5	28,327 14.6	29,727 24.1
St. Lucia	37,588 8.8	36,375 9.1	38,394 42.1
St. Vincent and the Grenadines	7,761 8.4	6,299 8.4	6,478 8.4

Source: Caribbean Tourism Organisation (CTO)

British Virgin Islands

The government of the British Virgin Islands (BVI), mindful and appreciative of the outpouring of assistance that they received from the OECS in the aftermath of Hurricanes Irma and Maria, pledged US\$400,000 to assist St. Vincent and the Grenadines (SVG) and Grenada following the impact of Hurricane Beryl. In terms of domestic developments, tourism sector activity continues to increase, with second quarter arrivals of 84,630 some 13 percent higher than in 2023. The sector is likely to be lifted further, with the launch of Caribbean Airlines' new route to Tortola from October 14th this year, with four flights per week coming out of Trinidad.

Cayman Islands

In June, the Cayman Islands (CI) government officially launched its Asia office in Singapore, in an attempt to bolster its presence and facilitate business ventures in the region. The country has been expanding its Captive business throughout the globe with the opening of its Europe office in London in March. The Cayman Islands Monetary Authority (CIMA) granted 12 new international insurer licences in the second quarter of 2024. Two new insurance managers were licenced and CIMA issued three B(i)s, one B(ii), six B(iii)s plus a class C and a class D reinsurer. By the end of QII 2024, CIMA recorded a total of 24 new international insurance licences which represented a 50 percent increase compared to the same period in 2023.

Arrivals growth went into reverse in the second quarter, with the 114,444 stay-over visitors in 2023 falling by 0.7 percent to 113,605 in April-June 2024. However, in a fillip to the industry, on July 9th, the national airline of the Cayman Islands, Cayman Airways Limited (CAL), was named among the world's best international airlines, in Travel and Leisure's World's Best Awards 2024. On the flip side, the cruise sector continues to struggle, with the current downward trend in cruise ship visits to the island expected to continue. Cruise lines are opting for larger ships that require fixed piers, which CI does not possess.

Cayman Ministry of Tourism officials expect the country to host 746,000 cruise ship visitors in 2024 which is 50 percent of the 1.4 million recorded in 2022. In some positive developments, government's latest unaudited financial records revealed a higher-than-projected fiscal surplus for the first half of the current financial year. The government registered a \$203.2 million surplus for the core government and a \$216.4 million surplus for the entire public sector. The entire public sector surplus was 34 percent higher than the budgeted figure due to actual revenues being \$27.6 million higher than budgeted revenues.

Cuba

As Cuba's seemingly intractable economic crisis rolls on, one effect has been persistently high levels of emigration that has led to a 10 percent decrease in the country's population. As stated in the National Office of Statistics and Information, ONEI's report to the parliament, massive emigration, in tandem with a negative birth rate has seen Cuba's population decline from approximately 11.2 million at the end of 2020, to slightly over 10 million inhabitants at the end of 2023. During the National Assembly in July, where officials shared data on the severity of both the economic crisis and the scale of emigration, President Miguel Diaz-Canel acknowledged that the government is no longer able to provide needed medicines or deliver in a timely manner "the few" food products that Cubans can still obtain through ration cards. He also conceded that as a consequence of the sustained shortages and limitations, social violence, addictions and vandalism, once rare in Cuba, are becoming more prevalent.

ONEI also reported that over the period January to June 2024, the government allocated nearly 40 percent of its investments to tourism-related activities. In stark contrast, investment in health and social welfare was 14 times lower, while critical sectors such as agriculture received only 2.5 percent of the total investment. At the end of August, it was announced that the Gaviota Group plans to open six new luxury hotels on the island in the coming months. The 594-room Iberostar hotel is set to open in November, with the others to come onstream in 2025. This hotel expansion comes at a time when the influx of tourists is not meeting the government's expectations. In fact, undoubtedly weighed down by its mounting problems, the number of arrivals in the second quarter declined by 8.3 percent from 546,080 in 2023 to 500,598 in 2024.

Dominica

Dominica's year-on-year arrivals growth in the second quarter, surged from the 8.9 percent increase registered in the first. Undoubtedly lifted by visiting World Cup cricket fans, arrivals over the April-June 2024 period grew by 28.4 percent from the 2023 figure to reach 19,628. Tourism expenditure also registered strong growth, increasing by 18.1 percent from EC\$42 million in 2023 to EC\$49.7 million in 2024.

In early July the government began implementing significant reforms to its Citizenship by Investment Programme (CBI) including doubling the minimum investment that applicants are required to make and tightening due diligence measures. Individual applicants must now invest at least US\$200,000 in the Economic Diversification Fund (compared with US\$100,000 previously). The reforms also include stricter due diligence measures; the government will establish a Financial Intelligence Unit and carry out interviews for main applicants and dependents aged 16 years and over. These reforms are welcome, as they align with a regional effort to standardise (CBI) practices and enhance programme integrity. In September, the government entered into a \$41 million loan agreement with the Saudi Fund for Development. The proceeds will go toward the Infrastructure Rehabilitation Project, geared toward the rehabilitation of seven main streets in the country's capital city Roseau.

Grenada

Following stellar growth in first quarter arrivals of 28.6 percent, there was significant slowing in the succeeding quarter, even though the rate of increase was still healthy. In the second quarter, arrivals increased by 8 percent from 40,805 in 2023 to 44,086. Buoyant arrivals spurred strong growth in tourism expenditure. The first quarter of 2024 saw tourism expenditure of EC\$307.6 million, a 29.3 percent increase over the same period in 2023. Expenditure of EC\$206 million from April to June 2024 represented more moderate, but still significant, growth of 12.7 percent over the previous year. Both arrivals and expenditure are expected to be lifted further with the start of WestJet's new direct flight from Toronto to Grenada on November 3rd, with flights to run weekly through April 27th, 2025.

In early July, Hurricane Beryl caused devastation to private property and government infrastructure. In particular, the island of Carriacou and the Saint Patrick, Saint David and Saint Andrew parishes sustained significant damage to housing, infrastructure and agricultural output, with the government declaring disaster zones in the worst-affected areas until the end of September. In view of the disaster, the country received an insurance payment of US\$44 million from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and relief funds from the UN and EU. Both the National Water and Sewerage Authority and the Grenada Electricity Services received funding to repair damaged infrastructure. Cocoa and nutmeg farmers will receive reimbursements for their losses. The Dominica-based Corp-EFF Insurance Company Limited partnered with the Ministry of Agriculture, and the Grenada Co-operative Nutmeg Association (GCNA) to secure coverage amounting to EC\$7.9 million for nutmeg and cocoa farmers. Notwithstanding this assistance, the country's Finance Minister has stated that the amounts received were insufficient for the extensive rebuilding required. As a result, government expenditure for 2024 is set to increase by 17 percent, from US\$489.1 million to US\$572.3 million resulting in a larger fiscal deficit.

Guyana

In August, a report released by the Economic Commission for Latin America and the Caribbean (ECLAC), referenced the significant investment that Guyana continues to attract. The report stated that while in 2023 some of the region's largest economies, such as Brazil and Mexico, saw substantial declines in Foreign Direct Investment (FDI) inflows, Guyana's surged by 63.8 percent, reaching US\$7.198 billion. This momentum is set to continue, as in July it was announced that ExxonMobil Guyana is moving forward with plans to develop its seventh oil project in the country, the Hammerhead field in the Stabroek Block. The new development is expected to add between 120,000 and 180,000 barrels of oil per day when operational in 2029, with projected natural gas production of 60 to 120 million standard cubic feet per day as well. On the flip side, in late August, came news that the 20-year project life of the Liza One and Liza Two fields have been significantly reduced with almost 40 percent of the reserves at the fields already depleted after less than 5 years of operation. With approximately 400 million barrels of oil (MBO) of the combined reserves of 1,022 MBO already produced, at the current rate of production, indications are that the remaining reserves could be exhausted in just 7 years.

Nonetheless, the Ministry of Finance's Mid-Year report indicated that Guyana's economy grew by an estimated 49.7 percent in the first half of this year, with growth in the oil and gas sector estimated at 67.1 percent. The non-oil sector registered solid growth of 12.6 percent over the period. Bauxite production fell by 20 percent in the first half of this year, while gold production fell by 10.3 percent. However, both sectors are predicted to recover by the end of the year. In the Agriculture sector, rice production saw growth of more than 17 percent, while the sugar industry's output declined by 60.4 percent.

In addition to the country's increasing investment and economic activity, Guyana's tourism sector continues to be lifted by cricket, lovely cricket. Following a 15.1 percent increase in first quarter stay-over arrivals, the T20 Cricket World Cup almost certainly would have contributed to the 14.2 percent increase in arrivals in the April-June period, from 77,150 in 2023 to 88,104 this year. The lift is likely to continue through early October as the country hosts the 2024 Caribbean Premier League (CPL) finals. The sector's growth prospects over the medium term are also encouraging due to the increase in hotel rooms currently underway. In late August, Hilton announced its debut in Guyana with two hotels, the Hilton Georgetown and DoubleTree Suites by Hilton Georgetown, both to be built in the capital city. Further, Vice President Bharrat Jagdeo has indicated that there are currently seven international hotels currently under construction. Guyana's total public debt increased by 12.4 percent over the first six months of 2024 to US\$5,063 million, reflecting an expansion in both domestic and external debt to fund budgeted spending. The country's growth for 2024 is projected to be 42.3 percent.

St. Kitts and Nevis

From July 10th – 15th St. Kitts Nevis hosted the Investment Gateway Summit 2024. Held at the St. Kitts Marriott Resort, the summit was deemed to be one of a kind, not only regionally, but globally, as it brought together global investors, agents and most importantly global citizens to embrace their connection with the nation that they now call home. Responding to a wide range of questions, an economic citizen and Citizenship by Investment (CBI) agent indicated that there are many female, single applicants, a development not observed prior to 2021, with substantial interest coming from the Middle East. According to the organisers, the event had a resounding impact on the nation's economic landscape, and the CBI Programme.

In terms of regular tourists, St. Kitts Nevis saw a 13.1 percent increase in arrivals in the first quarter of 2024, followed by a 21 percent increase in the April-June period from 25,351 in 2023 to 30,679 in 2024. While in the first quarter, tourism expenditure, of EC\$150 million represented a 1.2 percent increase over that of the previous year, the EC\$107.9 million spent in the second quarter of 2024, was a greater increase (13 percent), albeit from a lower initial figure.

St. Lucia

St. Lucia recorded its lowest unemployment rate for the first quarter in over 15 years. First quarter unemployment figures averaged 11.4 percent between January and March 2024, down from 13.6 percent in the previous fourth quarter. The decline was partly attributed to the government's initiatives such as the Youth Economy Agency, MSME Loan-Grant Facility and Community Tourism Agency.

Following y-o-y growth of 11.3 percent for first quarter 2024, second quarter tourist arrivals grew by 18.4 percent to 112,357. From November 15th Winair will commence twice-weekly nonstop flights from Barbados to St. Lucia. The tourism sector should also receive a boost from December 7th when American Airlines begins its new weekly nonstop flight from New York to the island. Growth in tourism expenditure has been marginal thus far in 2024. The EC\$865.6 million spent in the first quarter of this year was just 0.5 percent higher than the same period in 2023, while the EC\$752.2 million in the second quarter represented y-o-y growth of 1.7 percent.

On September 5th, the Government of St. Lucia in conjunction with the Organisation of American States (OAS), facilitated another distribution of point-of-sale machines to Micro, Small and Medium-sized Enterprises (MSMEs). This marked the culmination of government's two-year Digital Enhancement Programme, an OAS-funded project aimed at encouraging MSMEs to integrate e-commerce capabilities into their mainstream operations. In other developments, government estimates indicate that Hurricane Beryl caused significant damage to agriculture on the island, particularly to the banana and plantain industries, with preliminary assessments showing

losses of US\$2.6 million. In addition, 26 fishing vessels were damaged, mainly in the coastal town of Soufrière. The damage to the agriculture and fisheries sectors is likely to affect economic growth in 2024.

St. Vincent and the Grenadines

Arrivals in the first quarter of 2024 of 27,450 represented a 29.9 percent increase over the arrivals in first quarter 2023. Second quarter arrivals of 20,538 were 8.4 percent higher than a year earlier. After tourism expenditure grew by 11.2 percent from first quarter 2023 to reach EC\$224.1 million in quarter one 2024, the EC\$120.1 million in quarter two represented y-o-y growth of just 1.2 percent.

From August 5th to 9th the World Bank Group conducted a mission to assess the damage caused by Hurricane Beryl in St. Vincent and the Grenadines, a critical step toward the implementation of a US\$63 million Beryl Emergency Recovery Loan (ERL). This loan will support the nation's recovery efforts and enhance the country's disaster resilience. In September, the National Recovery Campaign Project held an update session where farmers affected by the hurricane could register their information. During the session, the Ministry of Agriculture, Forestry, Fisheries, Rural Transformation, Industry and Labour, outlined upcoming plans and phases for Direct Production Support and Income Support for farmers across the country.

Sint Maarten

Following general elections held on January 11, 2024, the collapse in May of the ruling four-party coalition led by the Prime Minister Luc Mercelina, of the Unified Resilient St. Maarten Movement (URSM), due to the defection of one legislator, resulted in a snap election on August 19th. This election resulted in the formation of another URSM-led coalition government with Mr. Mercelina retaining his position as prime minister. Aside from the URSM, with three seats in the 15-seat Staten (the legislature), the new coalition includes the Democratic Party (DP) with three seats and the Party for Progress (PFP) with two seats, as well as the newly-formed Soualiga Action Movement (SAM), with one seat. This gives the new coalition a total of nine seats, one more than it had previously. Governability will likely remain difficult in Sint Maarten, where a highly fragmented legislature has typically resulted in fragile coalitions that tend to collapse in office. In fact, no single party has won a majority since autonomy from the Netherlands was granted in 2010, and only the two-party coalition led by the former prime minister, Silveria Jacobs of the National Alliance (NA), in 2020-24 has successfully completed its four-year term without a snap election being called.

Although economic growth eased in 2023, the new government should be able to capitalise on a broadly positive economic outlook, which will keep the risk of social unrest relatively low. In the first quarter of 2024, arrivals increased by 6.6 percent over the 2023 figure to reach 131,322. Second quarter arrivals of 92,070 however, were 0.6 percent lower than in 2023.

Suriname

Following a visit in early August, the IMF team reached a staff-level agreement with the authorities on the seventh review of Suriname's economic reform programme supported by the Extended Fund Facility (EFF) arrangement. All quantitative targets for the review were met except the primary balance target. IMF officials noted that Suriname authorities are taking corrective actions to meet the end of year primary balance target. "Structural reforms are progressing with a stronger impetus. The authorities' commitment to maintain prudent macroeconomic policies and difficult reforms are showing results in terms of macroeconomic stability and investor confidence. Economic growth is projected to reach three percent this year, inflation is on a steady downward trend, donor support is increasing, investor confidence is returning, and international reserves are increasing," the IMF stated. IMF officials also found that significant progress has been made with debt restructuring, with negotiations with the Paris Club for the second phase of debt treatment scheduled for the end of September and discussions with the remaining small group of private external creditors ongoing. Upon completion of this review, Suriname will have access to US\$62.5 million, bringing total programme disbursements to date to US\$451.2 million. In the energy sector, in July QatarEnergy announced that it had signed an agreement with Chevron to acquire a 20 percent working interest in a production sharing contract for block 5 offshore Suriname.

The government of Suriname and the Council of Trade Union Federations in Suriname (Ravaksur) announced that they had reached an agreement on salary increases after months of intense negotiations. On September 9th, the parties announced a 15 percent wage increase as of July 1st, with an additional five percent increase to be added on January 1st, next year. The government said that as a result of the new agreement, this year's increase will cost SRD 835 million, with the expenditure increasing to more than SRD 2.5 billion next year. Agreement has also been reached with the security unions on the principle agreement that was reached with Ravaksur.

Region

On July 16th, a second batch of 200 Kenyan police officers arrived in Haiti under a United Nations-backed mission to try to quell rampant gang violence. This took the total number of Kenyan officers in Haiti to 400. More Kenyans are expected to arrive in the coming weeks and months along with police and soldiers from the Bahamas, Bangladesh, Barbados, Benin, Chad and Jamaica for a total of 2,500 personnel. Three days later, on July 19th, Haiti's transitional authorities declared a state of security emergency in several parts of the country, including several municipalities in the West and Artibonite departments, in an effort to restore order and reclaim control from gangs. That same month, the Inter-American Development Bank (IDB) approved \$110 million from its Grant Facility to improve food security, health, and the inclusion of vulnerable children and youth in Haiti. The funds will support

household income to sustain food consumption by financing unconditional cash transfers for 165,000 people and transfers conditional to the participation in small works for the creation, restoration, and maintenance of community assets selected by the communities. This will benefit 7,400 workers and their families – approximately 37,000 individuals. On September 5th, Haitian authorities expanded the state of emergency to the whole country as the government continues to battle gangs that have taken control of large parts of the capital and are attempting to move into other regions.

Three new Spanish hotel projects are on track for ground-breaking later this year in Jamaica. The projects in Lucea, Runaway Bay and Richmond are expected to pump US\$2.2 billion into the Jamaican economy and create some 20,000 new jobs in construction and tourism services. The July 3rd passage of Hurricane Beryl is estimated to have resulted in the destruction of over \$6.4 million in food crops and supporting infrastructure in Jamaica. Consequently, some seven weeks later, the Bank of Jamaica indicated that an economic decline of between 0.5 and 1.5 percent was expected for the current fiscal year ending March 2025. Economic activity was flat in the April-June quarter, with the Planning Institute of Jamaica estimating growth of just 0.1 percent. A small contraction is anticipated for the July-September quarter. In September, it came to light that with a population of approximately 3 million, Jamaica, for the first time, in December 2023 recorded a fertility rate of 1.9, falling below the internationally accepted 2.1 fertility rate required for maintaining the population at replacement level. This has triggered concerns for its strategic and development outlook as the country hastens to determine the resources and policies required to maintain a sustainable population.

Outlook

After declining in August through to September based on increased concerns about weaker economic, and oil demand growth in China, oil prices are likely to rise in October as OPEC+ has delayed planned oil production increases until December. While the impact of the 0.5 percent reduction in the US benchmark interest rate on September 18th will have a much greater impact on the US' economy and its citizens than on regional states, the net effect for the Caribbean will be positive. The rate reduction lowers the amounts governments

are required to repay on US denominated debt and reduces the pressure on regional central banks to keep their benchmark interest rates high to reduce capital flight, where local investors opt for US dollar assets instead of domestic investments because of the higher return. Reducing interest rates is a strategy that central banks can employ to boost domestic economic activity, if need be, as it results in less money coming out of people's pockets in loan and mortgage repayments, consequently spurring more investing, hiring and consumer spending.

The destruction visited upon farms across the region in July will result in shortages of some food produce along with higher prices. Further, the push to reduce the Caribbean's food import bill by 25 percent by 2025 would almost certainly have been significantly set back. While oil prices may have been lower than expected in recent weeks, the region's energy producers should continue to fare well over the next six months. During this period, as tourism-based Caribbean countries head into their busy winter season, generally buoyant tourist arrivals will quite likely be lifted further by the increased exposure the region received in cricket-playing countries across the world, increased airlift and the prospect of increased disposable income for US citizens. It seems very few, if any, major decisions are likely to be taken, or far-reaching policy positions announced, by the US government and various spheres of influence across the world, in the coming months until the new US administration takes charge in late January 2025. While at this time it is difficult to identify any geo-political developments that can impact the projections above, the worsening and widening of the now 12-month Israel-Hamas war is having both immediate and far-reaching repercussions.

With two months to go until the end of the current Hurricane season, Caribbean people will be nervously hoping there are no more devastating weather events. In terms of the other transformative and seemingly irreversible phenomenon facing the region, declining fertility rates and the resulting ageing population; events that can impact generations often need to be tackled with efforts spanning generations. To this end, regional states must act now. We have to engage the best of us, in all spheres. Our insight must be deeper; our mindset, bolder; our commitment, stronger. More to come on this.



Recent Economic Performance and Outlook

OVERVIEW

Economic activity slowed in 2023, with declines recorded in some key industries, including oil, cocoa and construction. There were some positive developments in the first quarter of 2024, however. During the period, Ghana witnessed an uptick in energy sector activity due to an increase in crude oil output, while the gold industry remained buoyant. Unfortunately, both the construction and cocoa sectors continued to register weak economic performances. Even though the domestic currency, the cedi, has come under severe pressure since the beginning of 2022, it depreciated at a slower rate during the first quarter of 2024. With the assistance of the International Monetary Fund's

(IMF) Extended Credit Facility (ECF), Ghanaian authorities have implemented monetary policies to help stabilise the domestic currency. Regarding the country's public debt, it remains a cause for major concern, notwithstanding some ease. After reaching an all-time high of 92.7 percent of GDP as at the end of 2022, with the IMF's aid, Ghana was able to reduce its debt burden under its ongoing comprehensive debt restructuring programme. In 2023, the country's debt stock was reduced to 82.9 percent of GDP, following the completion of its Domestic Debt Exchange Programme (DDEP).

Table 1: Key Macroeconomic Indicators

	2023e	2024f	2025f	2026f	2027f
Real GDP Growth (%)	2.9	3.1	4.4	4.9	5.0
Inflation Rate (%)	39.2	19.5	11.5	8.0	8.0
Fiscal Balance/GDP (%)	-3.6	-4.7	-3.7	-3.1	-2.8
Public Debt/GDP (%)	82.9	82.5	79.5	76.1	72.5
Foreign Reserves (US\$M)	3,661.0	5,116.0	6,851.0	7,604.0	9,165.0
Import Cover (Months)	1.7	2.2	2.8	3.0	3.5

Source: IMF

e-estimate; f-forecast

DOMESTIC ECONOMIC PERFORMANCE – 2023

In 2023, Ghana recorded economic growth of 2.9 percent, which was mainly attributed to the tertiary and agriculture sectors (Refer to Table 1). The tertiary sector, which includes sub-sectors such as transport, storage and communications, and wholesale and retail trade, expanded by 5.5 percent. The positive performances in both the agriculture and the tertiary sectors were partially offset by the construction sector, which contracted by 9.9 percent in 2023. With respect to the agriculture sector, the 4.5 percent expansion was largely due to the crops (4.8 percent), livestock (6.5 percent) and fishing (4.1 percent) sub-sectors. However, contrary to the usual trend, the cocoa industry did not account for the bulk of the momentum in the crops sub-sector. While cocoa bean output increased by 0.2 percent to 538,906 metric tonnes (MT) in 2023 from 537,849 MT in 2022 (Table 2), the production of cocoa-related products declined by 23.8 percent. As a result, export earnings from cocoa products contracted by 18.4 percent in 2023 (Table 3).

The energy sector's performance was impacted by reduced output, with crude oil export volume falling from 54.2 million barrels in 2022 to 46.9 million barrels in 2023 (Table 2). Furthermore, export earnings from crude oil contracted by 29.3 percent in 2023 (Table 3) due to a combination of reduced volumes and lower global prices (Table 4). According to the Bank of Ghana (BoG), the oil and gas industry has been in steady decline since the pandemic, contracting by 3.3 percent in 2023 (Chart 1). Under the mining and quarrying sector, the gold industry experienced some slowing, with growth of 10.1 percent compared to 32.2 percent in 2022. Export earnings from gold increased by 15 percent in 2023 due to increased output and more favourable international prices (Table 3).

Table 2: Exports – Volume

	2021	2022	2023
Gold (fine ounces)	2,820,094.28	3,778,128.53	4,123,865.30
Cocoa Beans (metric tonnes)	704,177.53	537,849.16	538,906.34
Cocoa Products (metric tonnes)	320,799.57	316,034.40	240,896.35
Crude Oil (barrels)	55,415,848.00	54,184,879.00	46,922,278.00

Source: BoG

Table 3: Exports – Value

	2021	2022	2023
Gold (US\$ Million)	5,083.14	6,608.43	7,600.82
Cocoa Beans (US\$ Million)	1,780.43	1,329.14	1,328.64
Cocoa Products (US\$ Million)	1,070.69	970.55	792.40
Crude Oil (US\$ Million)	3,947.72	5,428.61	3,837.34

Source: BoG

Table 4: Global Crude Oil Prices

	2022	2023
West Texas Intermediate Oil Price (US\$ per barrel)	94.91	77.58
Brent Oil Price (US\$ per barrel)	100.94	82.41

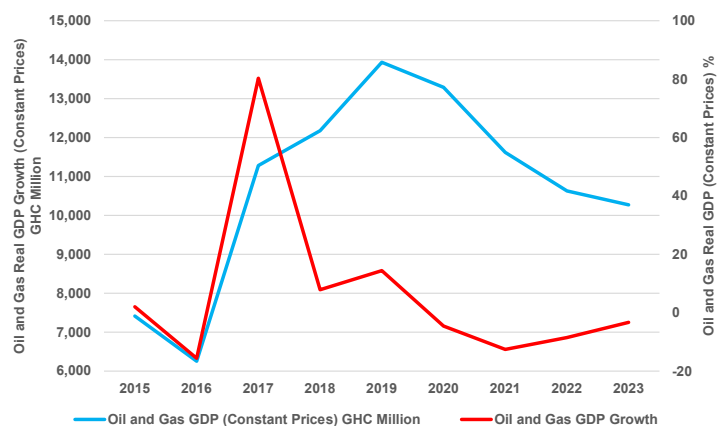
Source: US EIA

DOMESTIC ECONOMIC PERFORMANCE – Q1 2024

In the first quarter of 2024, activity in the Ghanaian economy strengthened with real GDP expanding by 4.7 percent year-on-year (y-o-y), stronger than the 3.1 percent recorded in the same quarter of 2023. The non-oil sector grew by 4.2 percent y-o-y, which was slightly below the 4.4 percent expansion registered during the first quarter of 2023. The main driver of growth in the first three months of 2024 was the industry sector, which grew by 6.8 percent y-o-y compared to a contraction of 1.4 percent between January and March 2023. Oil export earnings increased by 12.4 percent in the first 2 months of 2024 due to increased production. Some aspects of Tullow Oil's operations are expected to cool in late 2024, given the company's plan to temporarily halt drilling activity, before resuming in 2025. Although Tullow encountered some performance issues at its Jubilee field in August 2024, output is still expected to remain at about 90,000 barrels of oil per day during the remainder of the year.

The gold industry also registered an improved performance in early 2024, with a 16.6 percent y-o-y increase in gold export earnings for the first two months of this year. This improvement was as a result of increased production and a 2.2 percent rise in international prices. Contrarily, the cocoa industry did not get off to good start in 2024, as export earnings from both cocoa beans and cocoa products in the January-February period, decreased by 25.2 percent and 40.3 percent, respectively. In spite of favourable cocoa prices, output for both cocoa beans and cocoa-related products contracted by 29.5 percent and 38.4 percent, respectively.

Chart 1: Oil and Gas Economic Growth (Constant Prices)



Source: Bank of Ghana (BoG)

FISCAL PERFORMANCE

Provisional data revealed that in 2023, Ghana recorded an overall fiscal deficit of 3.3 percent of GDP in comparison to the targeted fiscal deficit of 5.8 percent of GDP. This lower-than-expected deficit was primarily due to the fact that government expenditure of GH¢155.6 billion was below the target of GH¢183.9 billion. Additionally, with actual GDP growth exceeding government's projections, the larger denominator (nominal GDP) helped to produce a smaller fiscal deficit – GDP

ratio. As mentioned earlier, the domestic economy expanded by 2.9 percent in 2023, which was above the projected 2.3 percent growth figure. The total revenue recorded (GH¢134.9 billion), was in line with the target for the year.

In the first half of 2024, the fiscal outturn was in line with the government's set targets, as it recorded a fiscal deficit of 2 percent of GDP in comparison to the budgeted fiscal deficit of 2.7 percent of GDP. Total expenditure increased by 40.5 percent in the first six months of 2024 when compared to the same period in 2023. Moreover, total revenue increased by approximately 24 percent y-o-y. The Ghanaian authorities have demonstrated encouraging commitment to the reforms under the IMF Extended Credit Facility (ECF). The country's performance under the programme has been generally strong, reaching most of the targets set. However, with general elections due in December 2024, any fiscal slippage in the lead-up could result in the erosion of some of the gains achieved. Under the IMF programme, Ghana made some progress in improving its tax administration, enhancing fiscal rules and institutions, as well as, strengthening expenditure controls.

DEBT

The country is working on reducing its debt vulnerabilities and on June 11, 2024, a Memorandum of Understanding (MoU) was signed between the IMF and Ghana's Official Creditor Committee (OCC), which is geared towards tightening expenditure commitments and maintaining a healthy revenue agenda for the nation. A debt restructuring agreement has also been reached in principle, with representatives of Eurobond holders, consistent with the IMF programme. These developments follow the successful completion of the domestic debt restructure in 2023. Ghana's ongoing efforts to secure external debt restructure is aligned with its drive to satisfy key principles under the IMF programme, to ensure that the multilateral agency continues to finance the programme through to 2026. In May 2023, the IMF approved a US\$3 billion, 3-year ECF programme for Ghana, providing government enacts key reforms and completes a debt restructuring plan to bring debt down to manageable levels. This occurred in the wake of the country defaulting on almost US\$30 billion in debt in December 2022.

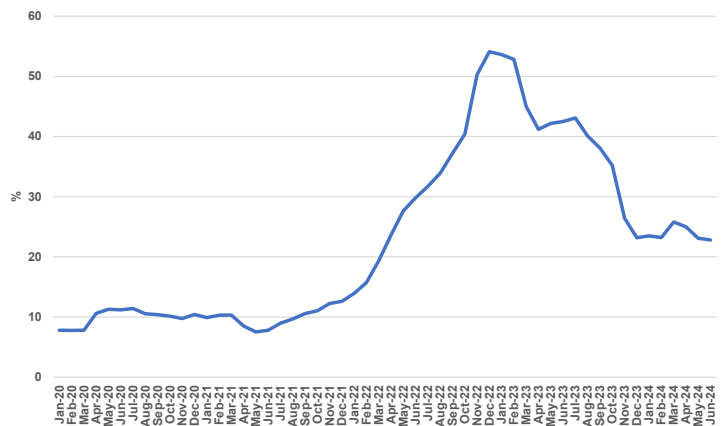
MONETARY POLICY

In September 2024, Ghana's Monetary Policy Committee (MPC) decided to lower the Monetary Policy Rate by 200 basis points to 27 percent. Although the cedi came under further pressure in the first half of this year, the BoG's tight monetary stance helped to bring some stability. For the first six months of 2024, the cedi depreciated by approximately 20.7 percent y-o-y compared to a depreciation of 59.5 percent in the first half of 2023. Other factors that contributed to a more stable domestic currency were the implementation of the dynamic Cash Reserve Ratio (CRR) in April 2024 and the approval

of the third tranche of funding from the IMF's ECF in July 2024. The main objective of the CRR was to promote more loan growth and control high inflation by mopping up excess liquidity in the financial system. On the other hand, the IMF's recent approval of its third tranche of funding, together with the larger-than-expected interest rate cuts by the US Federal Reserve (Fed) in September 2024, helped to improve business sentiment in Ghana.

Inflation generally trended down in the first half of 2024. The annual inflation rate fell from 54.1 percent in December 2022 to 23.2 percent in December 2023. Since then, inflation declined further in the first half of this year to reach 22.8 percent at the end of June 2024 (Chart 2). This decline in headline inflation was partly attributed to a fall in the non-food component in June 2024.

Chart 2: Inflation



Source: BoG

OUTLOOK

Looking ahead, the economy faces several downside risks. As the December 2024 election approaches, some fiscal slippage may occur given the usual temptation for government to boost spending to enhance its chances at the polls. Additionally, any delays in debt restructuring may delay the country's attainment of key IMF goals and could therefore threaten the progress of the ECF. With respect to some of Ghana's key drivers of economic growth, the cocoa sub-sector is still projected to expand by 64.7 percent y-o-y by the end of 2024, despite the slow start. Oil production is forecasted to increase by 5 percent this year with a boost in output from Tallow Oil's Jubilee and TEN fields. Overall, real GDP is expected to expand by 3.1 percent and 4.4 percent in 2024 and 2025, respectively. In light of recent exchange rate pressures, there is some uncertainty regarding the inflation trends for 2024. Despite the current moderation in inflation rates, the upward adjustments in utility rates and higher fuel prices can both result in upward inflationary pressures before the end of this year. Regarding Ghana's fiscal accounts, only moderate improvement is expected in 2025, with public debt expected to reach 79.5 percent of GDP.