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IN THIS ISSUE:

TRINIDAD & TOBAGO ECONOMY

**Mixed Performance
Amid Continued
Challenges**

CARIBBEAN UPDATE

**Resilience in the
Face of Rising
External Pressures**

TRENDING NOW

**Surviving the
Perennial Threat
of Inflation**

Mixed Performance Amid Continued Challenges

OVERVIEW

Available information suggests that the domestic economy delivered a mixed performance in the second quarter of 2026, as activity in the non-energy sector remained uneven. While there were signs of improvement in the construction and trade and repairs sectors compared to the first quarter, activity remained below the levels recorded a year earlier. Official energy sector data for the second quarter of 2026 is yet to be released. However, the performance in the previous quarter was mixed. Labour market conditions softened during the first quarter, with the unemployment rate rising to 5.4 percent, while the labour force participation rate remained unchanged at 55.1 percent. Inflation, however, remained well contained, with headline inflation easing to 0.3 percent during the April to June period. Meanwhile, the domestic capital market continued to face challenges. Although the Composite Price Index rose 5.9 percent quarter-on-quarter (q-o-q) in the second quarter, it remained 3.9 percent below the level of a year earlier.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

INDICATOR	2025	2025.2	2026.2 p/e
Real GDP (% change)	-0.5	4.3	N/A
Retail Prices (% change)	1.0	1.5	0.3
Unemployment Rate (%)	4.5	3.8	N/A
Fiscal Surplus/Deficit (TT\$-Mn.)	-9,159.5	-1,251.9	-1,014.3
Bank Deposits (% change)	0.4	0.5	-2.3
Private Sector Bank Credit (% change)	5.6	1.9	0.2
Net Foreign Position (US\$-Mn.)	8,894.4	8,948.9	8,767.7
Exchange Rate (TT\$/US\$)	6.72/6.78	6.72/6.78	6.72/6.78
Stock Market Comp. Price Index	1,011.7	1,027.9	988.1
Oil Price (WTI) (US\$ per barrel)	65.46	64.63	95.75
Gas Price (Henry Hub) (US\$ per mmBtu)	3.53	3.19	2.95

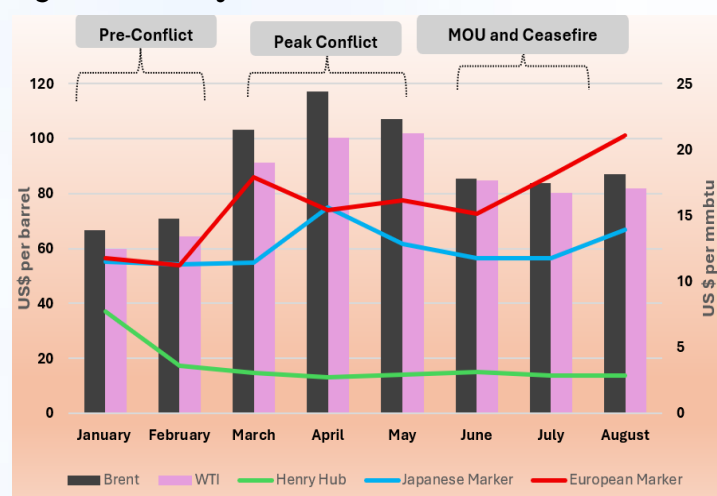
Source: - Central Bank of Trinidad and Tobago, TTSE, Energy Information Administration
p - Provisional data
e - Republic Bank Limited estimate

ENERGY SECTOR

Middle East tensions remained volatile in the second quarter of 2026. Following its peak in April, energy prices eased after the United States and Iran signed the Islamabad Memorandum in June and agreed to a 60-day ceasefire. The prospect of reduced tensions caused the Brent crude and West Texas Intermediate (WTI) benchmarks to record their largest monthly declines of 2026 in June, falling by 20.3 percent and 17.0 percent, respectively. However, renewed tensions in August reversed some of these gains, pushing month-on-month (m-o-m) Brent and WTI prices up by 3.9 percent and 1.0 percent, respectively (Figure 1).

Gas prices for some Asian benchmarks, like the Japanese Marker, declined through much of the second quarter before rebounding sharply (18.1 percent) in August. Meanwhile, European gas prices increased significantly during the start of the third quarter as LNG supplies through the Strait of Hormuz remained suppressed. Europe remains particularly vulnerable as gas inventories have hit a two-decade low, given reduced LNG imports from the Middle East. This was accompanied by increased demand for cooling due to unusually hot weather associated with the El Niño weather phenomenon and seasonal restocking needs for winter. These factors pushed gas prices higher by as much as 19.1 percent in July and 16.9 percent in August.

Figure 1: Monthly Oil and Gas Prices



Source: World Bank, EIA

Domestically, the most recent data from the Ministry of Energy and Energy Industries indicated that oil production averaged 54,209 barrels per day (bpd) in the first quarter of 2026, reflecting a 4.8 percent year-on-year (y-o-y) increase. However, production levels were

modestly lower (1.1 percent) when compared to the previous quarter. LNG production followed a similar pattern, recording an 8.2 percent y-o-y expansion while experiencing a 2.6 percent q-o-q contraction during the January to March 2026 period. The trend of declining natural gas production continued in early 2026, as production averaged 2,426 million standard cubic feet per day (MMSCF/D), reflecting a contraction of 2.7 percent y-o-y and 0.9 percent q-o-q. In the downstream sector, the effects of Nutrien's shutdown were apparent in the first quarter of 2026, with ammonia production contracting by 25.8 percent y-o-y. The sector also experienced another setback in June as Methanex indicated its intention to indefinitely idle its Titan methanol plant, which has a capacity of 860,000 tonnes per year. Methanol production averaged 377,686 tonnes in the first quarter, which was 2.4 percent lower than the same period one year earlier.

In other key developments, BP, in partnership with the United Arab Emirates' (UAE) XRG and Qatar's UCC Holdings secured a license to develop the second phase of the Loran field (the Venezuelan portion of the cross-border Loran-Manatee field in the Plataforma Deltana region) in August 2026. The license grants access to up to 4 trillion cubic feet (tcf) of gas. This has generated considerable optimism that natural gas from the Loran field could be processed in Trinidad and Tobago. Shell operates the Manatee portion of this gas field, on the Trinidad side. The Loran-Manatee field contains an estimated 10 tcf of gas.

NON-ENERGY SECTOR

Activity in the construction sector showed signs of improvement in the second quarter of 2026. Cement sales, a commonly used indicator of construction activity, increased by 13.1 percent compared to the previous quarter, although they remained marginally lower (0.1 percent) than a year earlier. Despite this improvement, the latest labour force data suggest that challenges persist, with the unemployment rate in the sector rising to 10.0 percent in the first quarter of 2026, up from 6.8 percent in the previous quarter and 8.2 percent in the first quarter of 2025. The trade and repairs sector also continued to face strong headwinds. New motor vehicle sales, a key indicator of the sector's health, rose by 10.1 percent q-o-q but remained 11.7 percent below the levels recorded during the same period in 2025. Meanwhile, activity in the tourism sector moderated following the seasonal boost provided by Carnival. Visitor arrivals declined by 9.7 percent compared to the previous quarter and were 4.4 percent lower than the corresponding period in 2025, suggesting slower activity in the sector during the second quarter.

MONETARY POLICY

As a result of the fuel subsidy, the domestic economy has seemingly, so far, remained largely insulated from the

global inflationary pressures arising from heightened energy and transportation costs, amid the ongoing Middle East conflict. Headline inflation averaged 0.3 percent in the second quarter of 2026, down from 0.7 percent in the previous quarter. Similarly, core inflation eased to an average of 0.2 percent between April and June, compared to 0.8 percent during the first quarter. Food inflation, however, increased to 1.0 percent in the second quarter, up from 0.3 percent in the first quarter. Higher prices for meat, fish, dairy products, eggs, and fruits contributed to this increase, although the fall in vegetable prices helped to temper the overall rise (Table 1).

Table 1: Food Inflation and Sub-Indices

Inflation Categories	2025 Q2 (%)	2026 Q1 (%)	2026 Q2 (%)
Food	4.5	0.3	1.0
Meat	11.4	1.6	2.4
Fish	6.1	2.1	3.7
Milk, Cheese and Eggs	3.1	3.1	4.3
Fruits	5.4	0.4	4.3
Vegetables	0.3	-5.3	-3.0

Source: CBTT, EIU Calculations

Despite ongoing economic challenges, the demand for credit remained positive, though less robust, during the second quarter of 2026. Private sector credit expanded by 2.4 percent y-o-y, supported primarily by consumer and real estate lending, which grew by 4.2 percent and 5.4 percent, respectively. Business lending also remained positive, increasing modestly by 0.3 percent. This growth occurred against a backdrop of volatile liquidity conditions in the financial system. Commercial banks' excess reserves declined from \$4,678 million in March to \$4,155.8 million in June 2026 and were considerably lower (30.5 percent) than the \$5,982.2 million recorded one year earlier. A key factor behind this reduction was a sharp decline in Net Domestic Financial Injections (NDFI), which fell from an injection of \$1,100.9 million at the end of March to a net withdrawal of \$183.4 million by the end of June, reflecting a 59.6 percent decrease.

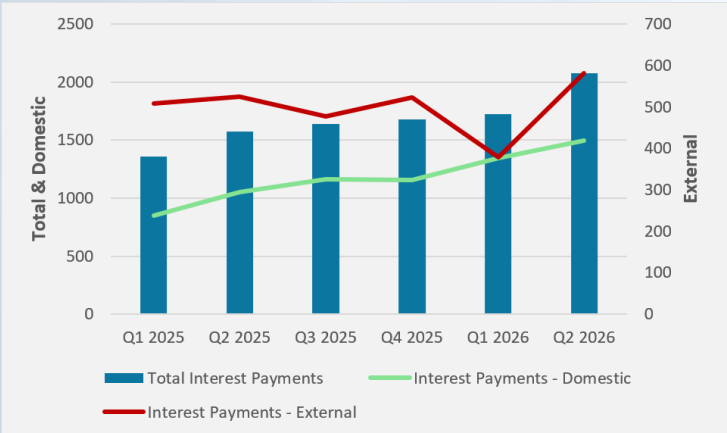
Given stable inflation, slowing private sector credit and softening economic activity, the Central Bank of Trinidad and Tobago (CBTT) in its most recent Monetary Policy announcement in June 2026, held the repo rate at 3.5 percent. In May, the TT-US interest differential widened to -92 basis points, before narrowing to -86 basis points in July, due to a rise in domestic rates. This respite may be temporary, however, as global inflationary pressures, stoked by the Middle East conflict, have forced major central banks, including the US Federal Reserve (Fed), Bank of Japan (BoJ) and European Central Bank (ECB) to increase rates in September. This could increase the

external pressures facing CBTT as higher international interest rates increases the possibility of capital flight, as investors will seek higher returns on their investments.

FISCAL POLICY

Government revenue increased by 8.3 percent y-o-y in the second quarter of 2026. This performance was driven largely by higher non-energy revenue, which rose by 22.2 percent. Although energy revenues declined by 24.1 percent y-o-y, likely reflecting lower oil prices during the May to June period, the overall fiscal performance improved, resulting in the fiscal deficit narrowing to \$1,014.3 million by the end of June. On the expenditure side, government spending remained broadly unchanged compared to the same period a year earlier. However, debt servicing costs continued to rise, with interest payments on outstanding government debt increasing by 1.8 percent y-o-y, driven by external interest payments in the second quarter of 2026 (Figure 2). In a positive development, Moody's upgraded Trinidad and Tobago's outlook from 'negative' to 'stable' in June 2026, while affirming the country's Ba2 credit rating. The agency cited the strength of the Heritage and Stabilisation Fund (HSF), with assets equivalent to approximately 32 percent of GDP, as well as expectations of higher hydrocarbon production from 2027, as key factors supporting the improved outlook.

Figure 2: Interest Payments on Central Government Debt (TT-Mn.)



Source: CBTT

RESERVES

Trinidad and Tobago's external position weakened slightly during the second quarter of 2026, reflecting continued pressures in the foreign exchange market. The country's Net Foreign Position fell to US\$8,505.9 million at the end of June, down 3.7 percent from the previous quarter and 5.8 percent below the level for the same period in 2025. Similarly, the Months of Import Cover (MIC) declined to 5.8 months from 6.2 months at the end of March, marking the first time since November 2025 that the indicator fell below the six-month threshold. Net sales of foreign currency by authorised dealers totalled US\$343.1 million, representing a 19.2 percent decline from the previous quarter but a 37.4 percent increase y-o-y. The exchange rate remained stable, with the Trinidad and Tobago dollar continuing to trade at TT\$6.78 per US\$1.

OUTLOOK

Inflation could become a more prominent concern during the latter part of 2026 as tensions in the Middle East escalate and energy prices remain elevated. Brent crude prices moved above US\$100 per barrel during early September, stoking fears of renewed inflationary pressures across the global economy. In this setting, economic activity in Trinidad and Tobago is expected to remain subdued heading into the fourth quarter. While higher energy prices may provide some support to fiscal and export earnings, ongoing foreign exchange constraints and softer domestic demand are likely to weigh on overall economic activity. The energy sector outlook remains mixed. Recent announcements by Touchstone Exploration indicating increased output from its Cascadura facility could provide a modest boost to natural gas production. However, challenges in the downstream sector are expected to persist. In particular, the expiration of Methanex's gas supply contract at the end of the third quarter of 2026 is likely to result in further reductions in methanol production, adding to existing ammonia and urea production concerns.

CARIBBEAN UPDATE

Resilience in the Face of Rising External Pressures

OVERVIEW

Economic activity across much of the Caribbean remained generally positive during the second quarter of 2026, supported by tourism and ongoing public and private construction projects. The tourism sector's performance remained uneven across destinations. Stay-over arrivals grew strongly in several countries, including Anguilla, the Cayman Islands and Grenada. There was also increased cruise activity in several markets. Guyana's rapidly expanding oil sector continued to lead regional producers, while Jamaica showed signs of a gradual recovery from Hurricane Melissa, with the pace of economic contraction slowing during the quarter. In contrast, conditions in Cuba deteriorated further as tighter US sanctions, severe fuel and foreign exchange shortages and the continued decline in tourism weighed on economic activity.

The ongoing conflict in the Middle East kept fuel and freight costs elevated, adding to price pressures across the region. Several governments responded by introducing or extending temporary relief measures to cushion the impact on households and businesses. While these measures have helped, they come at a fiscal cost, intensifying pressures faced by economies already struggling with high levels of public debt. These fiscal pressures are particularly concerning for several Eastern Caribbean economies, where increasing international scrutiny of Citizenship by Investment (CBI) programmes threatens an important source of government revenue and investment. Climate risks have also taken a different form this year. Atlantic hurricane activity has been unusually subdued, partly reflecting the emergence of El Niño, with no hurricanes recorded as at mid-September. Attention has since shifted to the broader impacts of El Niño, including an increased risk of prolonged drought-like conditions, which could place greater pressure on water supplies and agriculture output across parts of the region.

ANGUILLA

Following a strong performance in the first quarter of 2026, tourism activity remained upbeat during the second quarter, although the pace of growth moderated. Stay-over arrivals increased by 15.8 percent year-on-year (y-o-y), compared with growth of 24.6 percent in the first quarter. This brought total stay-over arrivals for the first half of the year to 82,346, 20.6 percent above the

corresponding period of 2025. The US remained the dominant source market, accounting for 74.2 percent of arrivals, with visitor numbers increasing by 19.1 percent. Strong gains were also recorded from Canada and the United Kingdom, while cruise arrivals declined by 5.5 percent.

The fiscal position continued to benefit from strong .ai domain receipts, which reached EC\$196.8 million during the first half of 2026. Against this backdrop, the government announced an EC\$500 million capital investment programme over the next three years, while plans are progressing for the establishment of a sovereign wealth fund by the end of 2026. The government also introduced a new public-sector compensation framework, granting non-executive public officers a minimum 15 percent salary increase. While the adjustment should provide some support to household incomes, it is expected to add approximately EC\$41.4 million annually to the public-sector wage bill. Meanwhile, inflation remained contained, with prices 0.3 percent lower y-o-y in the second quarter. However, prices rose 2.1 percent on a quarter-on-quarter (q-o-q) basis, driven largely by a 10.3 percent increase in transport costs due to higher fuel prices. In response, the government has extended the suspension of import duties and customs service fees on gasoline and diesel through the end of 2026 to help limit the impact on consumers and businesses.

BARBADOS

Economic activity grew by an estimated 1.4 percent during the first half of 2026. The non-traded sector provided the bulk of the impetus, expanding by 1.5 percent on the back of stronger performances in business services, wholesale and retail trade, and construction. In contrast, the traded sector grew by a modest 0.4 percent, as manufacturing remained flat, while tourism activity softened. Although long-stay arrivals were broadly stable, tourism output declined by 0.5 percent as the average length of stay fell from 7.6 nights to 7.3 nights. Arrivals from Canada, Europe and CARICOM increased, partly offsetting declines from the UK and US, while cruise tourism performed strongly, with passenger arrivals rising by 25.9 percent.

The country's overall fiscal balance remained in surplus,

with the primary surplus reaching B\$537.5 million at end-June, while the public debt-to-GDP ratio declined to 93.7 percent. In June, the IMF approved a 36-month precautionary Stand-By Arrangement of approximately US\$257 million, providing an additional buffer against external shocks. Looking ahead, economic activity should receive support from continued investment in tourism and infrastructure. According to the IMF, hotel developments valued at more than B\$1.8 billion are expected to add over 1,500 rooms during the next three years and could generate more than 4,500 jobs. The planned US\$150 million expansion of the Grantley Adams International Airport, which is expected to be completed by end-2027, should provide some additional stimulus.

BRITISH VIRGIN ISLANDS (BVI)

Building on strong growth at the start of the year, tourism activity strengthened further during the second quarter of 2026. Stay-over arrivals increased by 10 percent y-o-y, while cruise arrivals rose by 29.2 percent. Overall, the territory welcomed 254,304 visitors during the second quarter, 20.3 percent above the corresponding period of 2025. Activity in the financial sector remained resilient, with new company incorporations increasing by 3.9 percent y-o-y to 7,309 during the second quarter, despite a 9.1 percent q-o-q decline. This brought the total number of active companies on the register to 354,015 as at June 2026. Cost-of-living pressures may intensify in the coming months, following the expiry of the government's temporary relief measures on August 31. Introduced in May 2026 in response to higher global fuel and shipping costs, the measures included reduced duties on essential goods, lower port charges and the use of Free on Board (FOB) rather than Cost, Insurance and Freight (CIF) values for calculating customs duties. Meanwhile, higher diesel costs in July also resulted in a sharp increase in electricity bills in August, prompting the government to provide a credit on August bills and a subsidy for September.

CAYMAN ISLANDS

The tourism sector maintained its strong growth momentum during the second quarter of 2026, with stay-over arrivals increasing by 11.7 percent y-o-y to 128,359 visitors, and cruise arrivals rising by 17.9 percent. For the first half of 2026, stay-over and cruise arrivals increased by 11.3 percent and 6.8 percent, respectively. The strong performance was supported by increased airlift from North America, including new services from Ottawa, Fort Lauderdale and Austin. The momentum continued into July, with stay-over arrivals increasing by a further 10 percent y-o-y, taking arrivals for the first seven months to a record 333,747. This increase in arrivals also translated into stronger activity in the accommodation sector, with hotel room revenues rising by 18.3 percent during the January to July period.

There were also some encouraging developments in public finance, with government revenue reaching CI\$856.2 million during the first half of the year, CI\$89.9 million above the corresponding period of 2025. The government recorded a surplus of CI\$252.3 million over the period, supported by stronger revenues from financial services, property transactions and tourism. Meanwhile, the latest available inflation data showed consumer prices increasing by 2.8 percent y-o-y in the first quarter of 2026, up from 1.3 percent in the previous quarter. Further price pressures could emerge following the decision by the industry regulator, OfReg, to increase electricity rates from June.

CUBA

Economic conditions deteriorated further during the second quarter of 2026 as tighter US sanctions compounded existing fuel and foreign exchange shortages. Following the broad expansion of sanctions in May, further restrictions were introduced, targeting state-owned oil company CUPET, the Ministry of Tourism, Banco Exterior de Cuba and companies involved in key sectors including energy, mining and maritime logistics. These sanctions are expected to place further pressure on trade, fuel supplies and foreign exchange. At the same time, fuel shortages and disruptions to electricity supply continued to constrain economic activity.

Tourism remained under considerable pressure. Hotel operator Meliá completed its withdrawal from Cuba in July, ending operations at all of its 34 hotels. This followed the withdrawal or scaling back of several major hotel operators, including Blue Diamond and Iberostar. International visitor arrivals have since fallen 62.8 percent y-o-y to 419,863 during the first seven months of 2026. Given tourism's importance as a source of foreign exchange, the continued contraction is adding to the country's difficulties in financing fuel, food and other essential imports. Against this difficult backdrop, the government has accelerated efforts to open more areas of the economy to private and foreign investment. A package of 176 economic reforms approved in June included greater flexibility for private businesses, while further measures introduced in September eased restrictions on foreign investment, employment and tourism-related activity. However, these reforms are unlikely to provide any near-term relief, given the extent of US sanctions and the severity of the country's energy and foreign exchange constraints.

DOMINICA

The government presented its 2026/27 Budget in August, outlining approximately EC\$1.24 billion in expenditure, including EC\$566.9 million for capital

investment. Major project allocations include the international airport, marina development, roads and the geothermal transmission network, while the fiscal package targets a primary surplus of 2.2 percent of GDP. The country's energy transition registered significant progress in 2026, with the geothermal plant entering commercial operation on July 31, marking an important step towards reducing the country's dependence on imported fuel.

Tourism activity expanded during the second quarter of 2026. Stay-over arrivals rose by 5.9 percent y-o-y, bringing total arrivals for the first half of the year to 49,456, 6.7 percent above the corresponding period of 2025. Cruise arrivals also performed strongly, increasing by 35.7 percent y-o-y during the second quarter. The sector is expected to receive further impetus from October with the introduction of twice-weekly nonstop Contour Airlines flights between Dominica and Trinidad and Tobago. To ease cost-of-living pressures, VAT exemptions and import-duty waivers on selected essential goods were extended through September 30.

GRENADA

Tourism activity remained positive during the second quarter of 2026, with stay-over arrivals increasing by 11.4 percent y-o-y to 48,449 visitors. This brought total stay-over arrivals for the first half of the year to 103,014, 11.7 percent above the corresponding period in 2025. Growth was recorded in all major source markets, with the US maintaining its position as the largest. The number of yacht arrivals also expanded strongly. On the other hand, cruise arrivals declined by 9.2 percent during the first half of the year.

Higher international food, fuel and shipping costs prompted the government to introduce an EC\$18 million Cost of Living Assistance Programme in July, including fuel-price support, electricity relief and VAT-free shopping days. The government also presented an EC\$310.9 million supplementary budget in September to accelerate priority projects, address additional expenditure needs and continue Hurricane Beryl recovery efforts. Meanwhile, applications under the Citizenship by Investment programme declined by 16.3 percent y-o-y to 103 in the first quarter of 2026. The authorities have since moved to strengthen residency and due-diligence requirements amid increased international scrutiny of such programmes.

GUYANA

Guyana's oil boom gained further momentum during the first half of 2026, with real GDP expanding by an estimated 33.3 percent. Average oil production rose to approximately 902,000 barrels per day, from 639,000

barrels per day a year earlier, pushing crude oil export earnings up by 82.1 percent to US\$15.1 billion. Higher production and oil prices, together with faster cost recovery, are also increasing the government's share of oil profits. The government is now expected to receive 84 of the 326 projected oil lifts in 2026, more than double the 40 anticipated when the budget was prepared. With the additional lifts and higher oil prices, petroleum deposits into the Natural Resource Fund are now projected at approximately US\$6.5 billion for the year, more than double the original estimate. Production is also expected to increase further, with the Errea Wittu FPSO scheduled to begin operations during the fourth quarter. The non-oil economy grew by 10.1 percent in the first half of 2026, supported mainly by construction, services and mining.

The tourism sector also recorded a positive performance, with visitor arrivals increasing 12 percent y-o-y to a record 226,465 between January and June 2026. The momentum continued into July, when more than 45,000 visitors arrived, the highest total recorded for that month. The strong economic activity, however, has been accompanied by increased price pressures on households. Inflation averaged 4.1 percent y-o-y during the second quarter of 2026, compared to 3 percent in the previous quarter, with food prices driving much of the increase. Heavy rainfall during the quarter damaged crops and disrupted planting, adding pressure to domestic food prices. The government continued to cushion consumers from higher energy costs by maintaining a zero percent excise tax on petroleum products to limit the pass-through effects of higher fuel prices.

ST. KITTS AND NEVIS

Major public projects, including the new cruise terminal at Port Zante, continued to support construction activity in 2026. Work began on the terminal in July 2026, with home-porting operations expected to commence from November 2027. The facility is expected to further support tourism activity, given projected increases in visitor spending, airlift and hotel demand. Activity in the sector, however, weakened during the second quarter of 2026, with stay-over arrivals declining 7.5 percent y-o-y. This brought total stay-over arrivals for the first half of the year to 75,030, 3.2 percent below the corresponding period of 2025. The decline was reflected across most major source markets, including the US, UK, Canada and the Caribbean. In contrast, cruise tourism performed considerably better, with arrivals increasing 14.9 percent during the second quarter and 14.6 percent for the first half of the year. Despite the stronger cruise performance, visitor expenditure declined 5.8 percent during the second quarter, leaving spending broadly

unchanged for the first half of the year compared to a year earlier (up just 0.2 percent).

Work to advance the Nevis geothermal project continues, with the drilling rig completing its final independent inspection in Iceland ahead of mobilisation to Nevis. The need to transition to renewables is reflected in the rise in fuel costs, which prompted the Nevis government to reintroduce its fuel surcharge in June. Despite this investment, the broad growth outlook for the federation has softened. The ECCB, in its updated Annual Economic and Financial Review, lowered its growth forecast for both 2026 and 2027 to 2.3 percent, from 3 percent previously, citing weaker CBI revenues, persistent fiscal deficits and rising public debt.

ST. LUCIA

Conditions in the labour market continued to improve during the second quarter of 2026, with the unemployment rate falling to 10.1 percent, from 12.1 percent in the first quarter and 13.4 percent a year earlier. This improvement came alongside continued gains in tourism, with stay-over arrivals increasing by 3 percent y-o-y during the quarter. Arrivals for the first half of the year reached 228,091, 2.5 percent above the corresponding period in 2025. The US remained the main source market, accounting for 61.9 percent of stay-over arrivals, and registering growth of 4.5 percent. In contrast, arrivals from the UK weakened, declining by 15.6 percent. Cruise ship arrivals increased by 7.9 percent in the first half of the year. Air access is expected to be boosted from October 2026, when British Airways is scheduled to begin daily direct flights from London Gatwick, adding approximately 51,000 seats for the winter season. However, the decision by the US to raise its travel advisory for St. Lucia to Level 2 could temper tourism momentum if it discourages a meaningful number of US citizens from travelling to the destination.

Economic activity was also supported by ongoing infrastructure projects. In August, the new air traffic control tower at Hewanorra International Airport was approximately 95 percent complete, while a contractor had been selected for the wider airport redevelopment project. Activity in the construction sector should receive an additional boost from the EC\$54 million housing financing facility signed in August between the St. Lucia Development Bank and Taiwan Eximbank. Meanwhile, higher international energy prices began to feed through to domestic prices, with gasoline, diesel and LPG prices increasing from September 14. Nonetheless, the government continues to provide subsidies to limit the full pass-through to consumers.

ST. VINCENT AND THE GRENADINES (SVG)

Fiscal pressures remain a key concern, with Moody's downgrading St. Vincent and the Grenadines to Caal from B3 and assigning a negative outlook in July 2026, amid mounting liquidity pressures, elevated financing needs and a rising debt burden. The central government deficit narrowed to EC\$57.8 million during the April-July 2026 period, from EC\$125.2 million a year earlier. However, much of the improvement reflected EC\$52.7 million in one-off proceeds from the sale of land at Chatham Bay. During the period, current revenue declined, and recurrent expenditure increased. In August, the government extended its cost-of-living relief package for a further 90 days, maintaining reductions in fuel taxes and charges, electricity support and other measures aimed at limiting the impact of higher import costs on households and businesses. The IMF continues to assess the country as being at high risk of debt distress, with public debt projected at 120.1 percent of GDP in 2026 and the overall fiscal deficit at around 12.4 percent of GDP.

A more positive development came from the tourism sector, with stay-over arrivals increasing 5.1 percent y-o-y in the second quarter of 2026. This brought arrivals for the first half of the year to 65,072, 9.1 percent above the corresponding period of 2025. The US remained the dominant source market, accounting for 55.3 percent of arrivals, recording growth of 19.7 percent. In contrast, arrivals from the UK declined by 6.1 percent. Cruise tourism activity weakened, with arrivals declining 5.1 percent during the first half of the year. Looking ahead, the sector could face additional pressure following Delta Air Lines' decision to discontinue its Atlanta-St. Vincent service from September 5, partially reducing direct connectivity with the country's largest source market.

SINT MAARTEN

Households faced a sharp increase in living costs during the second quarter of 2026, with inflation rising to 5.5 percent y-o-y, from 0.7 percent in the first quarter. The increase was driven largely by higher energy and transport costs, with gasoline prices rising by 38.4 percent during the quarter and utility company, NV GEBE raising its fuel clause, the component of the electricity bill linked to fuel costs, by 40.4 percent. Despite these pressures, tourism activity remained buoyant. Air passenger arrivals increased by 20 percent y-o-y during the second quarter, bringing passenger arrivals for the first half of the year to 566,722, 21.4 percent above the corresponding period of 2025. Cruise arrivals grew more modestly, rising by 3.7 percent during the quarter. The continued expansion in tourism supported government revenues, with hotel room tax

collections increasing by 15 percent. The government is targeting January 2027 for the introduction of a visitor levy as part of wider efforts to strengthen revenue collection from the tourism sector. In the financial sector, a new Deposit Guarantee Scheme is scheduled to take effect on September 28, strengthening protection for eligible depositors and supporting confidence in the banking system.

SURINAME

Suriname's gold sector continued to benefit from exceptionally strong international prices, while production remained relatively firm during the first quarter of 2026. According to the Central Bank of Suriname, gold production reached 7,101 kg in the first quarter of 2026, while export volume rose by 45 percent and export earnings more than doubled to approximately US\$993 million. Preparations for the country's offshore oil industry also advanced, with construction of the GranMorgu FPSO reportedly more than halfway complete by end-June and first oil still expected in 2028. Investor interest in the offshore sector also remained firm, with Staatsolie receiving additional proposals under its Open-Door Offering programme in July. Inflationary pressures, nevertheless, remained elevated during the second quarter, averaging around 10.9 percent y-o-y, with food and housing related costs among the main contributors. The government maintained its fuel-price cap, shielding consumers from the full impact of higher international oil prices. However, the measure has come at a growing fiscal cost, with the government estimating foregone revenue of approximately SRD350 million per month by August and considering a phased withdrawal of the cap. In other developments, Parliament approved the revised 2026 Budget on July 1, 2026. The revised framework provides for expenditure of SRD77.5 billion against receipts of SRD64.6 billion, with the government estimating a budget deficit of approximately SRD12.9 billion, equivalent to about 5.1 percent of GDP.

REGION

The lingering effects of Hurricane Melissa continued to weigh on Jamaica's economy during the second quarter of 2026, although the pace of contraction eased as reconstruction efforts progressed. Real GDP fell by an estimated 2.9 percent y-o-y, following a 4.1 percent decline in the first quarter. Agriculture and mining remained among the hardest-hit sectors, contracting by 17 percent and 23.9 percent, respectively, while accommodation and food services contracted by 12.2 percent. Public investment provided some support, with capital expenditure rising by 55.8 percent to J\$13.7 billion during the quarter. The Planning Institute of Jamaica expects the economy to contract by a further 0.5 to 1.5 percent in the July to September quarter.

By the end of August, Jamaica had welcomed 2.34 million visitors and earned US\$2.5 billion from tourism, although arrivals remained 17 percent below a year earlier and only around 70 percent of hotel room capacity had returned. Inflation also accelerated from 4.3 percent y-o-y in April to 6.7 percent in June, before rising further to 7.5 percent in July. This contributed to the Bank of Jamaica's decision to maintain its policy rate at 5.5 percent in August.

Belize entered 2026 with relatively strong momentum, with real GDP expanding by 5.1 percent y-o-y in the first quarter, supported by construction, manufacturing and financial services. However, activity seems to have softened heading into the second quarter. In the tourism sector, stay-over arrivals declined by approximately 1.3 percent y-o-y, after increasing 2.1 percent in the first quarter. Cruise arrivals, however, performed considerably better with a 29 percent increase over the same period in 2025. Price pressures also intensified, with inflation averaging 3.9 percent in the second quarter, compared to 0.9 percent in the previous quarter. In August, S&P Global Ratings affirmed Belize's B-/B sovereign rating with a stable outlook, but projected growth to slow to around 2 percent in 2026 as tourism and business-process outsourcing moderate and higher oil prices weigh on the fiscal and external accounts.

OUTLOOK

The regional economy is expected to remain resilient for the remainder of 2026, despite a more difficult global environment. Ongoing public and private investment, including major infrastructure, hotel and renewable-energy projects, should continue to support activity, while tourism and higher energy production, particularly in Guyana, should provide additional momentum. However, the continuing conflict in the Middle East remains a key source of uncertainty. Elevated energy, freight and food costs could keep inflationary pressures relatively high, while governments that continue to cushion households and businesses through subsidies, tax relief and other support measures may face additional fiscal strain. These pressures will be more difficult to absorb in economies already carrying high debt and fiscal deficits. Climate conditions are also becoming less favourable, with the ongoing El Niño expected to bring drier drought-like conditions, increasing risks to agriculture, water supplies and food prices. Meanwhile, greater international scrutiny of Citizenship by Investment programmes could weaken an important source of government revenue and investment in some Eastern Caribbean economies.

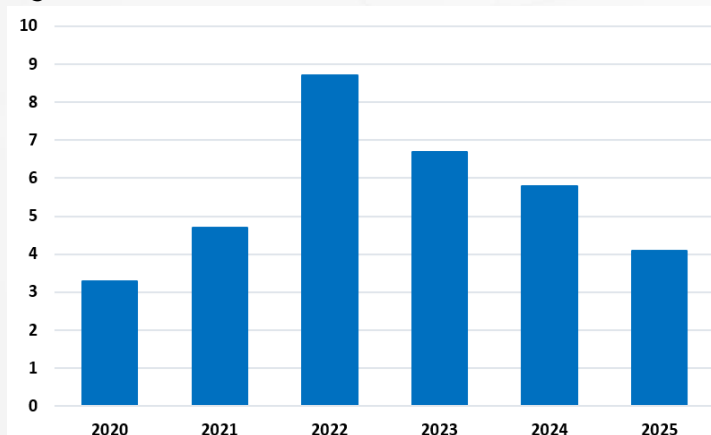
Surviving the Perennial Threat of



Domestic inflation averaged 0.5 percent in the first six months of 2026, after reaching 1 percent in 2025. These are by no means the scale of price increases that would normally elicit nightmares among the average consumer or business. However, with the domestic economy still saddled with generally higher prices because of the economic impact of the COVID-19 pandemic, it is important to consider that any price increase adds further strain, particularly to low-income households and persons on fixed incomes. Against this backdrop, any event or incident with the potential to stoke global and / or domestic price pressures, tends to generate considerable anxiety and commands the attention of the media and wider society.

The outbreak of the Russia-Ukraine war in February 2022, occurred at a time when the global economy was still emerging from pandemic-related lockdowns, which significantly dislocated global supply chains. The war disrupted Ukraine's export of critical food commodities to the international market, while Russia's oil and gas exports were negatively impacted by sanctions, thereby exacerbating global supply shortages and driving up prices. Global inflation rose from 4.7 percent in 2021 to 8.7 percent in the succeeding year (Figure 1), kicking off, what is now popularly referred to as an affordability crisis in many countries and intensifying the condition in countries with pre-existing high-price environments. In Trinidad and Tobago, Headline inflation shot up to 5.8 percent in 2022 from 2.1 percent a year earlier, with food prices increasing by 10.4 percent compared to 4.4 percent in 2021 (Figure 2).

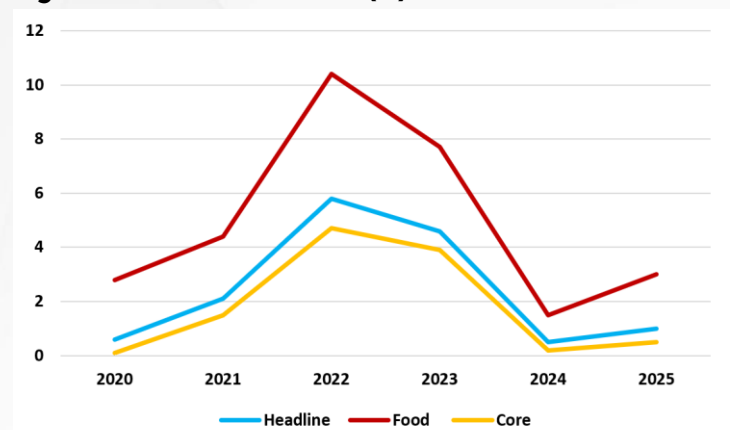
Figure 1: Global Inflation Rate (%)



Source: IMF

Since that period, the fear of rising prices seemed to have heightened globally. Now, consumers, investors and policymakers appear more quickly stirred to nervousness by global developments, including geopolitical tensions, policy changes in major economies or even the mention of potential commodity shortages. This was evident following the implementation of widespread tariffs by the US in April 2025 and is apparent in the ongoing war in the Middle East. As a result of both events, anxiousness by investors was and is often reflected in market swings, while consumers continue to voice concerns about their ability to afford basic goods or to preserve their standard of living. For their part, policymakers are finding it increasingly difficult to strike the balance between supporting economic growth and controlling the rise of prices. In many cases, including in the Caribbean, governments have moved to mitigate the impact of global events on vulnerable consumers through subsidies and tax concessions, to name a few.

Figure 2: T&T Inflation Rate (%)



Source: CBTT

Given the highly uncertain global environment and the multiplicity of ongoing and potential events that could stoke inflationary pressures, it is easy for despair to permeate sections of society. After all, the forces governing global price levels are beyond the control of individual consumers. Even so, we are not completely without options. There are several strategies we can adopt to help ease the burden inflation places on households and businesses, although it would admittedly be unrealistic to expect those tactics to completely remove the pain.

One of the easiest but sadly often overlooked tools that has proven quite effective in helping consumers and businesses to navigate difficult economic times, including periods of rising prices, is a budget. This is because budgeting encourages us to plan and monitor expenditure and limit impulse purchases. If done correctly, it allows for the easy identification of wastage, because the process requires intended spending to be separated into two broad categories, namely needs (essential goods and services) and wants (non-essential or luxury purchases). For consumers/households, it is recommended to limit non-essential expenditure during periods of high prices, especially if such spending compromises one's ability to satisfy key financial needs such as saving, securing and maintaining insurance etc. A budget could serve as an important guide in this regard but must be accompanied by the necessary resolve to be successful. Personal budgets are often abandoned because we are reluctant to accept the discipline they impose or are set with unrealistic targets such as seeking to make impractical cuts to essential spending. For businesses, budgeting is a natural part of the strategic planning process, which requires firms to project short, medium and long-term revenues and expenditure.

In times of rising prices, brand loyalty can cause consumers to ignore opportunities to conserve precious resources, if their preferred brand is more expensive than the alternatives available on the market. Consumers very often associate cheaper brands with inferior quality and therefore see them as a compromise on the level of satisfaction they can derive from the good or service. Similarly, imported goods are often seen as superior in quality, especially in a context where consumers have developed a taste for foreign products, as is the case in Trinidad and Tobago. However, because of shipping charges, import duties and other charges, foreign products tend to be more expensive than locally produced goods. While more expensive goods often provide superior experiences to consumers, individuals who try cheaper alternatives are often surprised to find that the switch did not result in a material fall in quality, if any at all. The message here is not to be slavishly loyal to name brand goods and services at the expense of your own financial wellbeing.

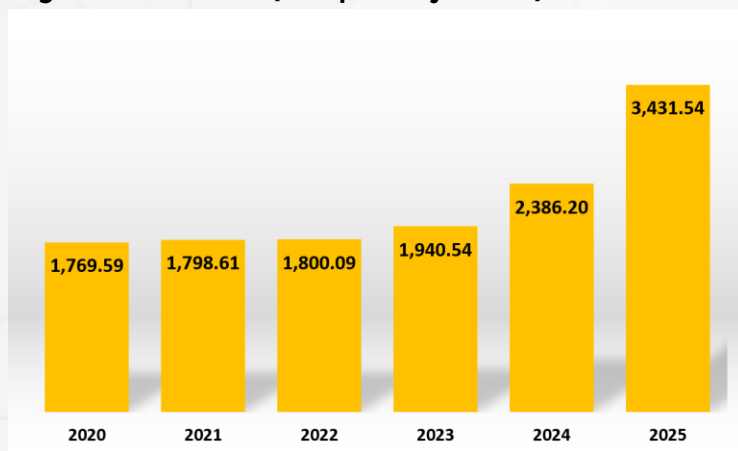
During difficult economic times debt must be managed carefully, otherwise households and businesses could find themselves facing obligations that may lead to their financial ruin. While loans can play a very important role in helping consumers and businesses to acquire important assets and services (houses, vehicles, machinery etc.), they can contribute to the deterioration of their financial health if used for frivolous/unimportant

purposes or taken at a level beyond the borrower's ability to comfortably repay. In such circumstances, it may become very difficult for businesses to take advantage of important opportunities or to even survive, while consumers could face such things as foreclosures and the wreckage of their credit ratings. Before seeking a new loan, the prospective borrower should consider if the intended purpose to which the funds would be directed is going to improve their long-term financial wellbeing, support key household/firm goals and if they could afford the facility in the first place. That is to say, that the related loan installments should not consume such a large portion of the borrower's income that it hurts their ability to afford important goods and services and to save.

People who closely monitor local and international economic developments may at times receive information about expected price increases, which if used strategically, could result in cost savings. For instance, if a company is planning to purchase new machinery a year from now but receives information that suggest that prices are expected to rise by 5 percent twelve months from now, it may be beneficial for the company to bring forward that expenditure. However, the firm's ability and willingness to purchase the equipment earlier than originally planned depends on several factors, including available resources and the predicted impact on its operations. This technique could be very useful to consumers as it relates to the acquisition of big-ticket items such as cars, refrigerators and also for more routine purchases, although the cost savings would be relatively small for cheaper items.

Individuals and firms can preserve the value of portions of their wealth by investing in inflation resistant assets such as real estate. Because the value of real estate tends to appreciate over time, it is seen as a good instrument to protect one's wealth against the rigours of inflation. Another example of an inflation-resistant asset is gold, which is very often used by investors as a hedge against market uncertainty. When investors sense a rise in global economic uncertainty, possibly caused by increased geopolitical tensions, policy changes in major economies, natural disasters etc., many of them increase the proportion of gold in their investment portfolios. This increases the demand for the precious metal, which in turn drives up its price, as has been the case over the last five years (Figure 3). The investors referred to here are not only institutional investors and high net worth individuals, but also regular citizens with the wherewithal to take advantage of such opportunities.

Figure 3: Gold Price (US\$ per Troy Ounce)



Source: WGC

Dealing with the perennial threat of rising inflation could sometimes be a very daunting and frustrating experience. Rising prices impose significant challenges

on the vulnerable sections of society, makes it more difficult for businesses and households to plan, and could constrain economic activity. Perhaps the most frightening aspect of inflation is that it seems incessant, with no end of circumstances or events (whether internationally or domestically) with the potential to fuel price pressures at any time. While there is little we can do as individual economic actors to cause the general level of prices to fall, there are a number of strategies we can employ to ease the impact of rising prices on our savings, consumption and overall quality of life. This includes, but is not limited to budgeting, prioritising long-term financial wellbeing over brand loyalty and effectively managing debt, to name a few. While the impact is greater for low-income households, we will all have to deal with the effects of rising prices throughout our lives. It is therefore worthwhile to take action to safeguard our long-term financial health by adopting responses that suit our specific circumstances.

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