Caribbean Region Quarterly Bulletin

2017:IV

Year in Review

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IDB Country Department Caribbean

Year in Review

Dear Reader,

Welcome to the new *Caribbean Region Quartlerly Bulletin.* As we had previously announced, we have changed the format and content of the bulletin. Instead of presenting a detailed summary of recent economic developments plus a special analytical report in each edition, we will have separate editions for economic updates and for analytical themes. This will allow us to provide deeper analysis and keep the bulletin shorter and more to the point. With this new format comes a new schedule: the June and December bulletins will provide in-depth analysis of recent economic developments; the March and September issues will explore a special theme in detail.

We welcome you to the *December 2017 Quarterly Bulletin*, which summarizes recent developments and gives and outlook for 2018.

The Year 2017 in Review

2017 has been a mixed year for the countries of the Caribbean Country Department of the IDB. While The Bahamas, Barbados and Jamaica have been benefiting from strong world demand and still low commodity prices, they are also each dealing with fiscal challenges resulting from high debt-to-GDP and related vulnerabilities. Suriname and Trinidad and Tobago are still recovering from the fall in commodity prices with both countries still experiencing recessions in 2017. Guyana is an outlier in the region. Based on strong gold prices and the prospect of income and revenues from oil extraction that is scheduled for 2020, the country is experiencing strong economic growth.

Contributor: Juan Pedro Schmid

Regional Overview: Recent Developments and Prospects

The macroeconomic situation in the Caribbean remained vulnerable in 2017, although it is more stable than the previous year. Estimates suggest that average growth improved from -1.6 percent in 2016 to 0.6 percent in 2017. In the same period, debt as a percentage of GDP remained at 73 percent, and the primary fiscal balance increased slightly from -1.6 percent to -1.4 percent of GDP. On the other hand, the current account of the balance of payments improved from -5.6 percent to -4.2 percent of GDP.

While average trends have improved, developments in individual countries vary considerably. Suriname and Trinidad and Tobago are still in recession, while the fiscal and external situation in Barbados has become very vulnerable. Fiscal pressures are also increasing in The Bahamas and Guyana, while Jamaica continues to make progress on its fiscal consolidation program.

Further improvements are expected during 2018. The International Monetary Fund (IMF) projects economic growth of 2 percent for the Caribbean economies in 2018 and a reduction in their primary fiscal balance by half. It is also expected that the debt and current account of the balance of payments, both as a percentage of GDP, will stabilize. However, the current and expected macroeconomic performance for next year conceals wide divergences between countries that depend on tourism, such as The Bahamas, Barbados, and Jamaica, and those that depend on raw materials, such as Guyana, Suriname, and Trinidad and Tobago.

The performance of tourism-dependent Caribbean countries continues to improve. However, in the case of Barbados, fiscal vulnerabilities are also increasing that could force the government to intensify adjustments soon. The Bahamas was affected by hurricanes in 2016 and 2017, which has resulted in higher public expenditure and income disruptions. However, all three countries continue to benefit from the importation of crude oil at low prices, an advantage that has had a positive effect on competitiveness in the tourism sector. Remittances have also increased, which has contributed to the expansion of consumption spending in Jamaica. These factors have generated a notable improvement in average economic growth (from 0.9 to 1.4 percent between 2016 and 2017). Growth in The Bahamas, Barbados, and Jamaica is expected to continue to improve slightly, averaging 1.8 percent in 2018. The fiscal effort of these countries remains strong, with an average primary fiscal consolidation of 3.2 percent of GDP in 2017.

The performance of countries that depend on raw materials remains weak. These countries, in contrast to the tourism-dependent Caribbean countries, have suffered from the fall in prices due to the end of the great world commodity cycle. In 2017, estimated economic growth remains low (an average of -4.2 percent in 2016 and -0.3 percent in 2017), the primary fiscal balance deficit remains unsustainable (an average of -6.5 percent of GDP in 2016 and -6 percent in 2017), and public debt has increased (an average of 52.2 percent of GDP in 2016 and 54.6 percent in 2017). Although Trinidad and Tobago was able to gradually adjust thanks to the existence of their Heritage Fund, its primary fiscal balance reached -10.6 percent of GDP in 2016, and it is expected the situation will remain equally weak at -10.2 percent of GDP in 2017. On the other hand, Suriname, which has no fiscal cushion, saw its primary fiscal balance reach -5.5 percent of GDP in 2016 and -3.8 percent in 2017. Guyana, where the primary fiscal balance was -0.2 percent of GDP in 2015, has been adopting countercyclical fiscal measures, maintaining the deficit of its primary fiscal balance between -3.5 and -4 percent of GDP for 2016–2018. The 2017 growth outlook for the Caribbean countries that depend on raw materials ranges from -3.2 percent in Trinidad and Tobago, to -1.2 percent in Suriname, and 3.5 percent in.

The Caribbean is one of the most indebted regions in the world. Gross public debt as a percentage of GDP reached an average of 73.3 percent of GDP in 2016, which is well above the debt sustainability levels of small countries with open and non-diversified economies (approximately 60 percent of GDP). Although the Caribbean countries have been characterized by high indebtedness and low growth, this did not really apply to countries dependent on raw materials, which experienced high growth and low debt. However, as of the end of 2017 even countries dependent on raw materials are on a path of high debt and low growth. Jamaica is the exception, as it has begun to reduce its level of indebtedness, with a surplus in its primary fiscal balance between 7 and 7.5 percent of GDP in each year since 2013.

Macroeconomic problems in the region have also been magnified by the impact of climate change and natural disasters. The forecasted cost to address the impact of hurricanes and floods is approximately 2 percent of GDP per year.

The remainder of this Quarterly Bulletin discusses economic developments and outlooks for each country.

THE BAHAMAS DEVELOPMENTS IN 2017

Contributor: Allan Wright

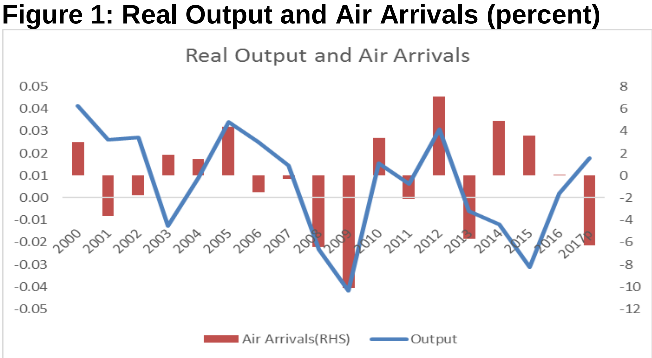
Overview

Growth in The Bahamas for 2017 is estimated at 1.8 percent, with a further improvement to 2.5 percent expected in 2018. The opening of the Baha Mar mega resort, and construction activity related to the US$4.2 billion project, have been growth-positive for the archipelago, as have been improved foreign direct investment (FDI), rebuilding activities following Hurricanes Matthew and Irma, and continued robust economic returns in the United States. The tourism sector experienced disruptions from cruise line diversions and flight cancellations following the heightened storm activity in the final quarter of 2016 and early 2017. Total tourist arrivals up to August 2017 were down by 2.8 percent, including a 1.6 percent decline in cruise arrivals and a 6.3 percent decline in air arrivals (Figure 1). However, the unemployment rate declined to 9.9 percent in May 2017 from 11.6 percent in November 2016, with employment boosted by construction of Baha Mar and reconstruction activities after the hurricanes. Baha Mar had created almost 2,000 additional jobs as of the third quarter of 2017, with a further 3,000 to 5,000 jobs expected by the end of December. Inflation remains low and stable.

Key Economic Developments

GDP data covering the period 2012–2016 were revised by the country's Department of Statistics. The introduction of new data sources and a methodology revision led to an estimate of GDP of US$10.7 billion in 2016, a projected 27.6 percent increase from the 2012 level of US$8.4 billion. Real output growth for 2016 was estimated at 0.2 percent versus a decline of 0.3 percent estimated in the previous data series.

Figure 1: Real Output and Air Arrivals (percent)



Sources: International Monetary Fund, *World Economic Outlook* (October 2017); and Department of Statistical Service data for 2012–2016.
Notes: Real output from 2012-2016 based on GDP 2016 Figures.

For the fiscal year ending in 2017, the primary deficit increased to 2.6 percent versus a decline of 0.3 percent in 2016. The average level of the primary deficit over 2013–2017 is estimated at 1.8 percent, roughly 2.3 percent above the budgeted or proposed level for the same period. Increases in wages and salaries, interest payments, and subsidies and transfers to state-owned agencies, along with post-hurricane reconstruction and the related tax relief and disruptions to revenue collection systems, have all contributed to the widening of the deficit. Central government debt to GDP rose to 58 percent in FY2017, an increase of approximately 4.5 percent from 2016 levels. With contingent liabilities, debt to GDP is estimated at 64 percent. Through rationalization of public expenditure, the government of The Bahamas aims to achieve a 10 percent reduction over the fiscal year. The planned introduction of cost-cutting measures, along with fiscal responsibility legislation, will target the budget deficit and gradually reduce the debt burden.

Highlights

- *The Baha Mar mega resort project, along with continuous positive economic returns in the United States, has aided growth.*
- *The Department of Statistics' revised the data series for GDP covering the period 2012–2016.*
- *The primary deficit for FY2017 rose due to increases in employee wages, post-hurricane clean-up, temporary tax relief, and disruptions to tax collection efforts.*
- *Moody's confirmed its credit ratings for the country.*

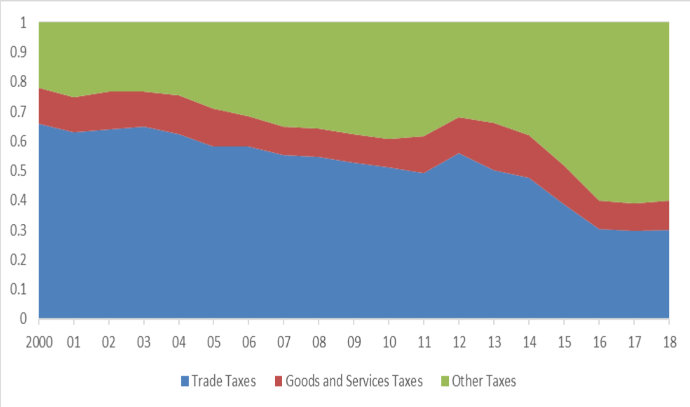
The archipelago maintained its credit rating with Moody's Investor Services at Baa3, but the outlook was changed from positive to negative. The increased frequency of climate-related shocks and prolonged periods of anaemic growth levels were deemed to be outlook-negative, despite the encouraging fiscal consolidation program. The ratings were downgraded by Standard and Poor's in December 2016 from BB+ to BBB-, and a review is expected in early December 2017.

Fiscal Performance

The primary deficit increased in FY2017 as government expenditures rose faster than revenues. Revenue and grants rose by 4 percent in the current period versus 2 percent in FY2016. Government expenditure accelerated by almost 7 percent in FY2017 and 1 percent in FY2016. Tax revenues from the categories of international trade (representing 30 percent of taxes) and other taxes (61 percent) grew by almost 1.5 and 5.5 percent, respectively, even as taxes from goods and services fell slightly by 0.7 percent (Figure 2). It is estimated that the overall growth rate for taxes in FY2018 will be 9.3 percent, with 9.8 and 7.4 percent increases in the categories of trade and other taxes, respectively.

Heightened economic activity and the government's efforts to enhance revenue collection are expected to strengthen the fiscal position.

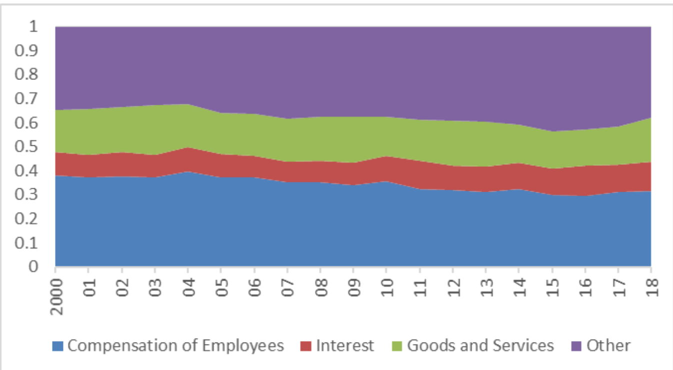
Figure 2: Historical Tax Distribution (percent of taxes)



Source: International Monetary Fund, *World Economic Outlook* (October 2017).

Government expenditures continue to grow. The government expenditure growth rates for compensation of employees and purchases of goods and services increased by 4.7 and 2.3 percent, respectively, in FY2017 and by 1.2 and 0.5 percent in FY2016 (Figures 3 and 4). In FY2018, expenditures for compensation to employers are expected to stabilize at 31.6 percent of total expenditure, with a weighted growth rate of 0.6 percent, while the category of other expenses is expected to fall by 3.2 percent, with the share of total expenditures declining from 41 percent in FY2017 to 37.8 percent in FY2018. It is estimated that the growth rate of total expenditure will marginally increase by 0.4 percent in FY2018 from 9.5 percent in FY2017 as the government of The Bahamas improves efforts to strengthen fiscal operations and introduces legislation limiting fiscal aggregates.

Figure 3: Historical Expenditure Distribution (percent of expenditure)



Source: International Monetary Fund, *World Economic Outlook* (October 2017).

Figure 4: Expenditure Growth Rates (percent)

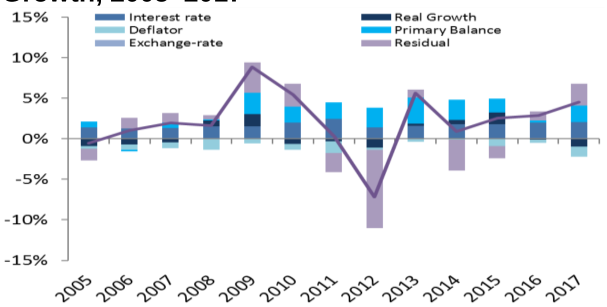
Sources: International Monetary Fund, *World Economic Outlook* (October 2017) and author's estimates.

Debt Management

The primary balance and higher interest rates are the main drivers of public debt (Figure 5). In FY2017, they accounted for almost 90 percent of growth of the debt. The debt increased by 4.5 percent in FY2017 from 2.9 percent the previous year, a figure that is above the period average (2013–2017) of 3.3 percent. Debt service increased in line with higher debt, as interest payments grew to roughly 2.5 percent of GDP in FY2017, slightly higher than the previous year (2.4 percent) and the 1.9 percent figure in FY2013. Interest payments are estimated at over 15 percent of revenues in FY2017.

External Sector Performance

Figure 5: Debt Decomposition: Drivers of Debt Growth, 2005–2017

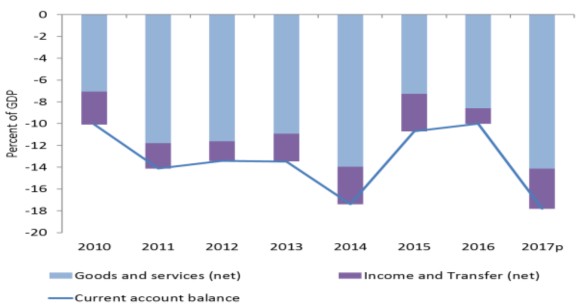


Sources: International Monetary Fund, *World Economic Outlook* (October 2017); and author's estimates.
Notes: GDP from 2012-2016 based on 2016 GDP revision.

Cheaper oil prices and re-insurance payments related to Hurricanes Matthew and Irma contributed to the decline in the current account deficit to 10 percent of GDP in 2016, slightly better than the previous period (Figure 6). The balance is projected to widen in 2017 to 17.8 percent of GDP as efforts intensify to complete Baha Mar. With

the expected completion of the mega resort by the second quarter of 2018,[1] the current account deficit is projected to improve to 14 percent, and to then improve to 7.1 percent over the medium term. The current account deficit has mainly been financed by FDI and other private inflows. Private capital inflows have been the major component financing the current account (15 percent in 2017) and contributed on average 13.2 percent of GDP from 2013–2017. FDI inflows rose from marginal levels in 2016 (0.9 percent) to 3.2 percent in 2017 as a result of tourism-related private investment.

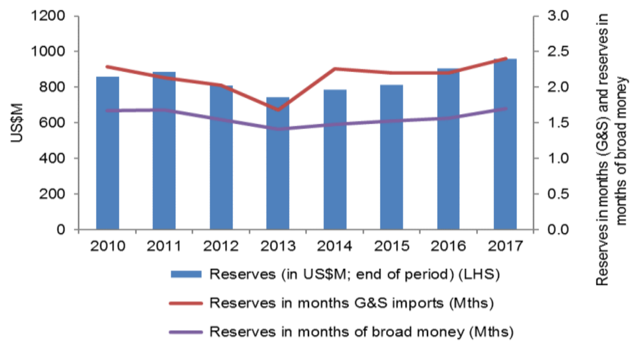
Figure 6: Current Account Balance, 2010–2017 (percent of GDP)



Source: Central Bank of The Bahamas.

Reserves are estimated to increase by US$56 million to $960 million at the end of 2017 (or 2.4 months of imports of goods and services), linked to an improvement in the tourism sector from the phased opening of the Baha Mar mega resort, which is expected to be fully operational by April 2018 (Figure 7). Reserves were supported by external borrowing at commercial rates and the influx of re-insurance funds after the hurricanes.

Figure 7: Gross International Reserves in the Bahamas, 2010–2017

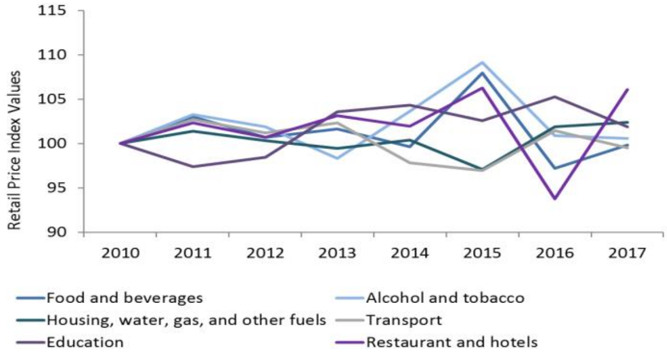


Source: Central Bank of The Bahamas.

[1] The Rosewood resort is expected to be completed by April 2018.

Inflation rose to 2.8 percent in March 2017 from 0.8 percent at the end of 2016, as the components of restaurants and hotels surged as a consequence of demands for components related to Baha Mar (Figure 8).

Figure 8: Components of the Retail Price Index in The Bahamas, 2010–2017



Source: Central Bank of The Bahamas.

Conclusion and Policy Discussion

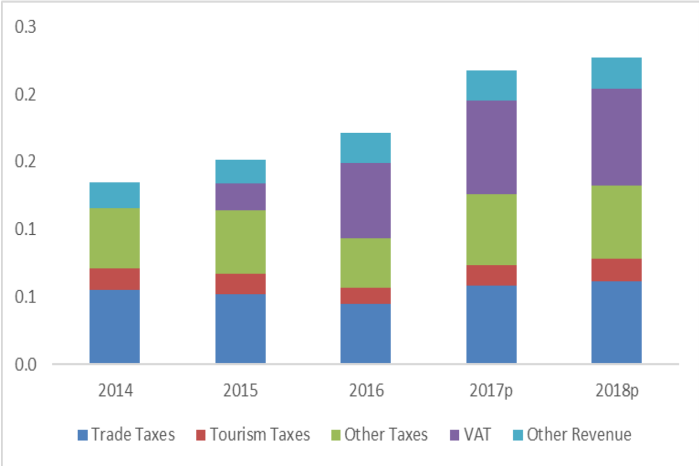
Growth in 2017 in The Bahamas is estimated at 1.8 percent, an increase from the anaemic level of 0.2 percent in 2016. The completion of the Baha Mar mega resort project and rebuilding efforts after Hurricanes Matthew and Irma are supporting growth and employment. Unemployment levels dropped to 9.9 percent in 2017, an improvement from the 11.6 percent level in November 2016, as Baha Mar increased staff levels to over 2,000 by July 2017. Primary deficit levels increased to 2.6 percent as climate-related shocks disrupted revenue collection efforts and increased government reconstruction levels. International reserves improved as a result of re-insurance funds.

Table 1: High-Frequency Macroeconomic Indicators

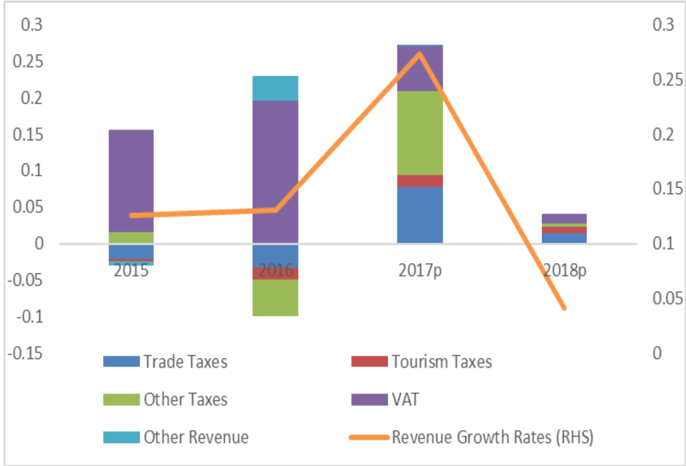
	Last data	Period	Prior data	Period
Annual GDP growth (%)	1.8	2017	0.2	2016
Tourist arrivals	-2.8	Aug-17	2.5	Dec-16
Exports (12-month growth)	-0.1	Dec-16	-4.0	Dec-15
Imports (12-month growth)	3.5	Dec-16	-16.6	Dec-15
Private sector credit growth (%)	-0.9	Dec-16	-2.0	Dec-15
Inflation (% yoy change)	2.8	Mar-17	0.8	Dec-16
Exchange rate (end of period)	1.0	2016	1.0	2015
Unemployment rate (%)	9.9	May-17	11.6	Nov-16

Sources: International Monetary Fund, World Economic Outlook (October 2017); Central Bank of The Bahamas; and Department of Statistical Service data for 2012–2016.
Notes: Annual GDP growth based on GDP 2016 figures.

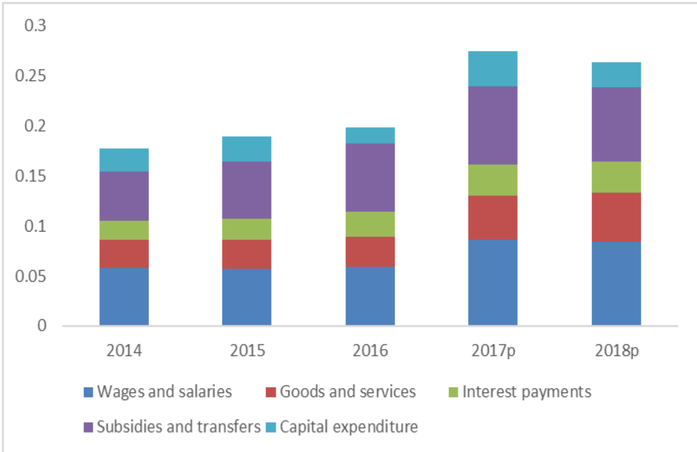
a) Revenue Impact



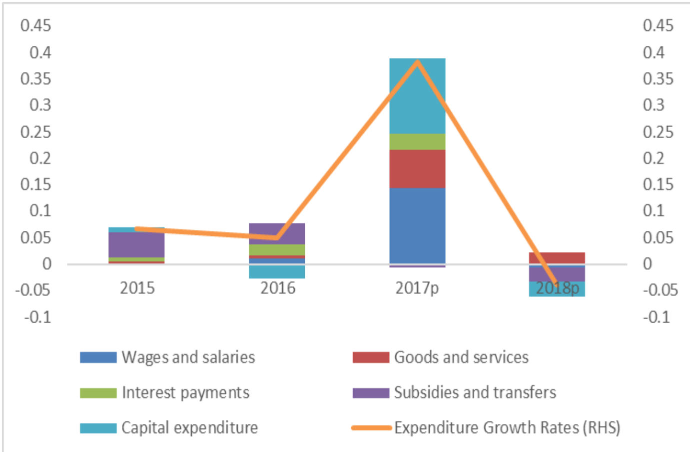
b) Revenue Growth Rates



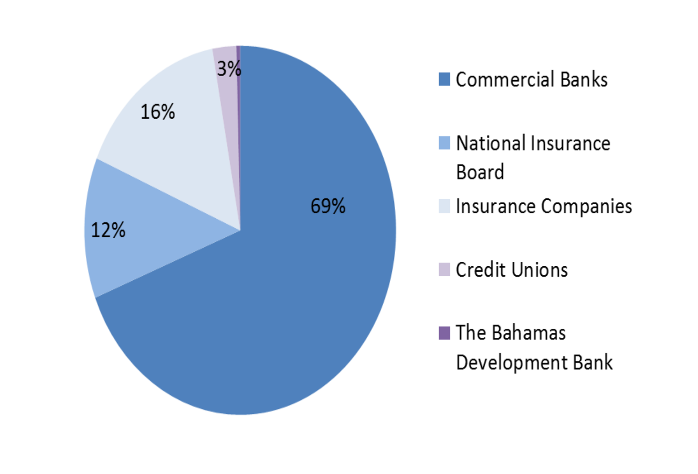
c) Expenditure Impact



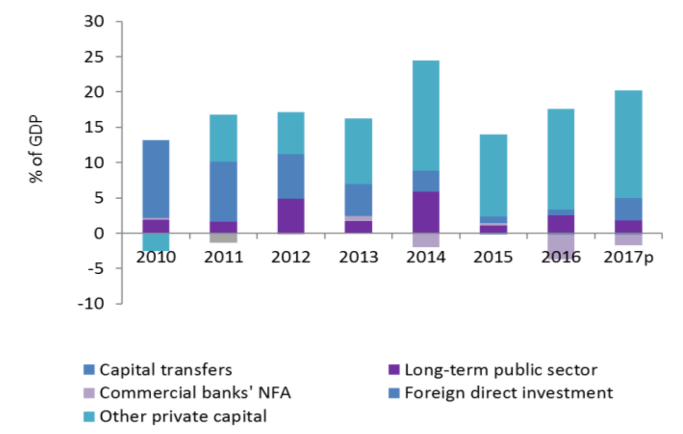
d) Expenditure Growth Rates



e) Share of Domestic Assets by FIs.



f) Financing of Current Account



Sources: International Monetary Fund, 2016 Article IV Report; Department of Statistical Service data for 2012–2016; and IDB staff estimates based on IMF's *World Economic Outlook* (October 2017).

Social and Demographic Indicators (most recent year)

GDP (US$ millions), 2015	10,203	Adult literacy	95.6
Per capita GDP (2015,US$)	28,030	Poverty rate (percent), 2014	12.8
Life expectancy at birth in years (2015)	75.6	Population (thousands), 2015	364
Rank in UNDP Development Index (2014)	58	Unemployment rate (April 2017)	9.9

Economic Indicators

	2013	2014	2015	2016	2017p	2018p
(Annual percentage change, unless otherwise indicated)						
Real Sector						
Real GDP (% change)	-0.6	-1.2	-3.1	0.2	1.8	2.5
Nominal GDP(% change)	-0.4	1.6	3.7	0.2	4.7	4.2
Inflation (end of period)	1.0	0.2	2.0	0.8	2.4	2.2
Unemployment	15.8	14.6	13.4	12.2	10	9.7
(In percent of GDP, unless otherwise stated)						
External Sector						
Exports of goods and services	34.9	33.7	30.4	30.3	39	40.2
Imports of goods and services	44.8	48.7	37.1	38.4	52.4	49.4
FDI	3.5	2.3	0.7	0.7	3.2	4.2
Current account balance	-13.5	-17.4	-10.7	-10.0	-17.8	-14
Gross International Reserves (US$M)	742	788	812	904	960	982
In months of next year's imports	1.8	2.2	2.2	2.2	2.4	2.5
Central Government Operations	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17p**
Revenue and grants	13.4	12.6	13.3	15.1	17.1	21.2
Total Expenditure	17.6	17.7	17.8	18.9	19.8	26.8
Overall balance	-4.2	-5.1	-4.5	-3.8	-2.7	-5.6
Primary balance	-2.4	-3.2	-2.4	-1.7	-0.3	-2.6
Memorandum items:						
National debt (in millions of $B)	3,907.0	4,689.0	5,160.0	5,637.0	5,974.0	6,482.0
In percent of GDP	36.4	43.9	47.6	50.2	53.0	…
Nominal GDP (in millions of B$)	10,720.5	10,677.2	10,843.8	11,240.0	11,261.8	…

Sources: International Monetary Fund, 2016 Article IV Report; Department of Statistical Service data for 2012–2016; and IDB staff estimates based on IMF's *World Economic Outlook* (October 2017).

Notes: p: projected. GDP for 2012-2016 based on GDP 2016 Figures.

Contributors: Juan Pedro Schmid and Kimberly Waithe

Overview

Economic activity moderated during 2017 in Barbados amid increasing pressures. In contrast to 2016, the economy witnessed a reversal in inflation trends that was in part due to rising international oil prices and the introduction of the National Social Responsibility Levy (NSRL) in September 2016. International reserves remain under pressure and greater fiscal effort is needed to stabilize the increasing public debt. The Central Bank of Barbados announced measures to tighten monetary policy that complemented fiscal initiatives announced in this year's Financial Statement and Budgetary Proposals.

Highlights

- *The weak fiscal situation and debt build-up remain the main challenge for the country.*
- *Reserves declined to 8.6 weeks of imports or US$274.9 million.*
- *Real GDP grew by 1.4 percent as of the end of September 2017.*

Macroeconomic Developments

The Barbadian economy grew by 1.4 percent over the first nine months of 2017. This outturn is on par with the performance recorded a year earlier of 1.6 percent. Tourism output increased by 4.2 percent compared with 2.8 percent last year. Long-stay arrivals rose by 6.2 percent to reach 486,000 visitors, but the average length of stay of visitors fell by 4.3 percent partially due to the rising share of shorter stays by North American tourists. The growth in arrivals came from the United States and Canadian markets, which grew by 14.4 percent and 10.7 percent, respectively (Table 1). However, arrivals from the United Kingdom remained flat when compared with the previous year, as this market continues to be challenged by uncertainty and a weaker currency. Cruise passengers rose during the first nine months of 2017 by around 17.6 percent. The non-tradable sectors slowed to 0.9 percent, compared with growth of 1.8 percent recorded a year earlier. Non-tradables were bolstered by construction activity, which increased by 4.7 percent due to tourism-related and other real estate construction.

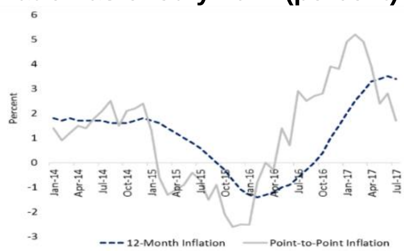
Table 1. Long-Stay Tourist Arrivals by Source Market, January-September (percent change)

	United Kingdom	USA	Canada	Caricom Countries	Other
3Q 2011	8.1%	6.9%	-1.9%	15.3%	9.7%
3Q 2012	-9.7%	-7.1%	0.6%	-0.8%	1.0%
3Q 2013	-2.6%	-9.6%	-7.1%	-11.1%	0.4%
3Q 2014	7.6%	-4.7%	-7.2%	-10.8%	6.0%
3Q 2015	13.6%	28.2%	19.2%	9.4%	-2.5%
3Q 2016	2.7%	10.7%	1.0%	13.1%	-1.2%
3Q 2017	0.0%	14.4%	10.7%	4.6%	2.2%

Source: Author's calculations based on Central Bank of Barbados and Barbados Statistical Service.

Barbados saw a reversal in the inflation trend during the year. Lower commodity prices and weak domestic demand kept inflation in check last year, with the country experiencing deflation up to August 2016. However, the inflation rate (12-month moving average) rose to 3.4 percent at the end of July 2017 (Figure 1). The main driver of this increase was the food and non-alcoholic beverages category and the impact of the implementation of the NSRL.[1] At the same time, average unemployment increased to 11.4 percent at the end of the second quarter of 2017, compared with 10.1 percent recorded a year earlier.

Figure 1. Inflation as of July 2017 (percent)



Sources: Central Bank of Barbados; and Barbados Statistical Service.

The government announced new fiscal measures to address the debt build-up and to protect foreign reserves. In response to the slower-than-anticipated decline in the fiscal deficit, further fiscal consolidation measures were announced in the Financial Statement and Budgetary Proposals for FY2017/18 on May 30, 2017. On the revenue side, measures included an increase in the NSRL from 2 to 10 percent, a 2 percent commission on foreign exchange transactions, an increase in the excise tax on gasoline and diesel fuel, an extension of the tax amnesty, and divestment of state assets. On the expenditure side, the budget included an across-the-board 10 percent spending cut. In addition, the government is seeking to re-profile part of the domestic debt. It is expected that these measures will yield a small fiscal surplus of US$2.2 million for FY2017/18, equivalent to a primary surplus of around 7 percent of GDP.

The country continues to be challenged by the size of the deficit and high public sector debt. The fiscal deficit narrowed to 5.5 percent of GDP for FY2016/17

[1] The NSRL, which was first introduced in September 2016 at the rate of 2 percent, was subsequently increased to 10 percent on all taxable imports and domestically produced goods effective July 1, 2017.

from 9.4 percent at the end of 2015/16. Moreover, as a result of revenue-raising and expenditure-cutting measures introduced as part of the budgetary proposals, the fiscal deficit further declined for the first six months of fiscal year 2017/18 (April-September). The deficit fell by 29 percent to US$139.5 million, buttressed by a 7.9 percent increase in total revenue. The NSRL collected US$25.4 million, while the value-added tax (VAT) increased by 4.2 percent. On the expenditure side, current expenditure grew marginally when compared with the previous year. However capital expenditure fell by 36.5 percent. Fiscal adjustment has not yet stabilized the increasing trend in public debt, as gross central government debt remained elevated throughout the year and stood at 143.7 percent of GDP at the end of September 2017.

An International Monetary Fund (IMF) mission team visited Barbados from November 7-21, 2017. The IMF noted that further fiscal effort is needed to place the debt on a downward trajectory. The IMF recommended accelerating reforms to state-owned enterprises to allow for a reduction in transfers. In light of this, the IMF noted that "reforms of state-owned enterprises should include improved management, cost recovery, reduced services, mergers, closures, and privatization." Structural reforms to support growth and enhance the business environment for investment are also important. These reforms would "aim to improve business processes, such as significantly reducing clearance times for immigration and customs, accelerating approval of building permits, and streamlining legal procedures."[2]

International reserves have been declining steadily since 2012. At the end of 2016, reserves totalled US$341.8 million (10.5 weeks of imports), and then fell further to US$274.9 million (8.6 weeks) at the end of the third quarter of 2017. This fall-off was in part attributed to a decrease in net short-term private inflows along with external government debt servicing. The current account deficit stood at 4.1 percent of GDP at the end of the first nine months of 2017, which was on par with the figure recorded a year earlier. During 2017, the deficit was impacted by higher retained imports, predominately driven by an increase in intermediate goods on account of rising fuel import prices.

Barbados's financial sector continues to be highly liquid, but private credit remains subdued. The excess liquidity ratio increased to 15.1 percent compared with 14.6 percent in the third quarter of 2016 amid the monetary policy stance that raised the required securities ratio for commercial banks in June 2017.[3] Subsequently, the central bank announced a further tightening of its monetary policy stance to be implemented in two phases. Effective December 1, commercial banks were required to hold 18 percent of their domestic deposits in stipulated securities, and that amount will increase to 20 percent as of January 1, 2018. Private sector credit remained subdued, rising by 1 percent into the third quarter. The weighted average deposit rate edged down to 0.2 percent, while the average loan rate stood at 6.6 percent at the end of the first nine months of 2017.[4]

Barbados experienced further credit rating downgrades during the year. In September, Standard and Poor's lowered Barbados's long-term local currency rating to CCC from CCC+. At the same time, S&P affirmed its long-term foreign currency sovereign rating at CCC+. However, the outlook on both long-term ratings is negative. The negative outlook reflects the "risk of a downgrade given difficulty turning around fiscal policy (with parliamentary elections in 2018), a possible domestic debt exchange that could be a default under our criteria, and prospects for a balance-of-payments crisis." The rating agency noted that Barbados's policy challenges include "high general government debt, deficits, and debt servicing requirements; limited appetite for private-sector financing; and a low level of international reserves raising the risk to sustainability of the peg to the U.S. dollar." S&P previously downgraded Barbados's credit rating in March 2017, when it lowered the sovereign credit rating to CCC+, from B-. In the same month, Moody's downgraded the Barbados government's bond and issuer ratings to Caa3.

The World Bank's *Doing Business Report* for 2018 ranks Barbados at 132nd out of 190 countries. This represents a drop when compared with last year's ranking of 117th. Within the C6 countries,[5] only Suriname with a ranking of 165th fell behind Barbados. The report mentioned that paying taxes was made more difficult by the introduction of the NSRL. Moreover, the country continues to face challenges with respect to getting electricity, with a ranking of 160th, protecting minority

[2] "IMF Staff Completes 2017 Article IV Mission to Barbados," IMF Press Release 17/455, November 22, 2017. Available at: http://www.imf.org/en/News/Articles/2017/11/22/pr17455-imf-staff-completes-2017-article-iv-mission-to-barbados?cid=em-COM-123-36239.

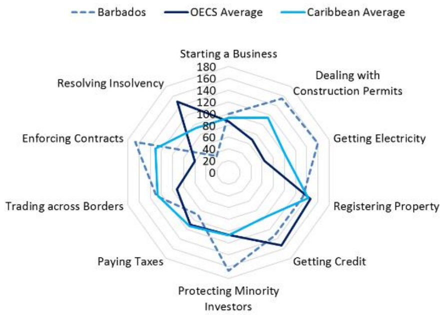
[3] Effective June 15, commercial banks were required to hold 15 percent of their domestic deposits in stipulated securities.

[4] This has been the trend since April 2015, when the Central Bank of Barbados removed the minimum savings rate of 2.5 percent, thus allowing commercial banks and other deposit-taking institutions to determine the rates.

[5] The C6 countries are The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

investors (167th), enforcing contracts (167th) and dealing with construction permits (155th) (Figure 2). Dealing with construction permits takes around 442 days compared with the average of 191.8 days for Latin America and the Caribbean, while getting electricity takes 88 days compared with 66 days for the region.

Figure 2. Doing Business Indicators



Source: World Bank, *2018 Doing Business Report.*
Note: The OECS countries included here are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Countries constituting the Caribbean average are: The Bahamas, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

Outlook

Economic growth is expected to range between 1 and 1.5 percent for 2017 and 2018. This revised lower growth projection is in part reflective of weaker consumption growth expected as a result of ongoing fiscal adjustment efforts. At the same time, this outturn could be impacted by the continued delay or slow execution in tourism-related projects. Inflation is projected to continue to increase to 5 percent by year-end, partially due to the increase in the NSRL.[6] While the budget measures have led to an improvement in the fiscal deficit, there is downside risk associated with the finalisation of planned public sector divestment. At the same time, further fiscal effort is needed to reduce government debt. General elections are constitutionally due in early 2018.

The government is developing a 2017 Barbados Sustainable Recovery Plan (BSRP) in consultation with the Social Partnership. This plan aims at placing the economy on a path of sustainable economic recovery. The BSRP was first introduced by the government in the May 30, 2017 budget. Its broad objectives include "boosting the foreign exchange earnings by creating more attractive conditions of foreign direct investment through a standardised investment incentive regime that is strengthened by incentives legislation and reformed implementation mechanisms across the public and private sectors."[7]

Table 2. High-Frequency Macroeconomic Indicators

	Last Data	Period	Prior Data	Period
Annual GDP growth (%)	1.4	Sep-17	2.2	Jun-17
Tourism arrivals (annual % change)	6.2	Sep-17	5.8	Sep-16
Nonperforming loans ratio (%)	8.8	Sep-17	9.4	Sep-16
Foreign exchange reserves cover, weeks	8.6	Sep-17	13.8	Sep-16
Inflation (%)	3.4	Jul-17	0.0	Jul-16
Unemployment rate (%)	11.4	Jun-17	10.1	Jun-16

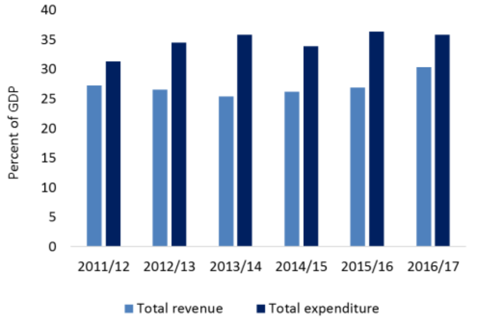
Sources: Central Bank of Barbados; and Barbados Statistical Service.

[6] International Monetary Fund, *World Economic Outlook* (October 2017).

[7] Government Information Service. Available at: http://gisbarbados.gov.bb/blog/draft-recovery-programme-soon/.

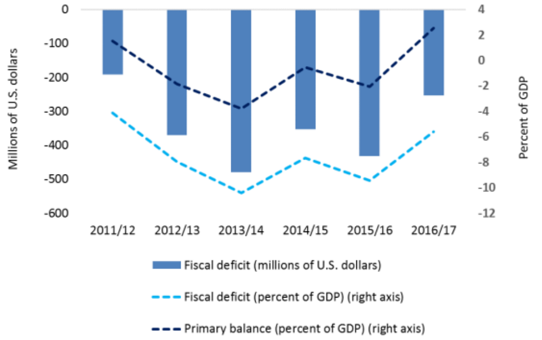
The government's ongoing fiscal efforts...

Figure a. Revenue and expenditure (percent of GDP)



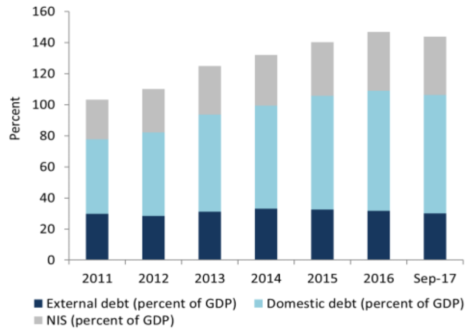
have improved fiscal performance…

Figure b. Fiscal and primary balance (millions of U.S. dollars and percent of GDP)



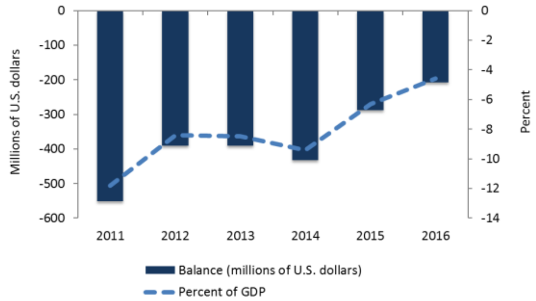
but government debt remains elevated.

Figure c. Debt including NIS holdings (percent of GDP)



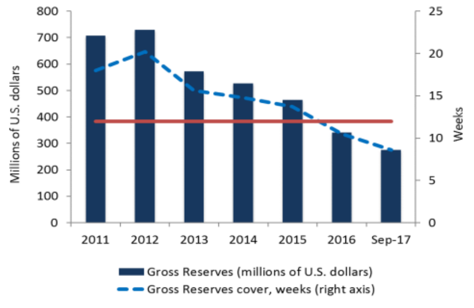
While the current account balance is improving…

Figure d. Current account balance (millions of U.S. dollars and percent of GDP)



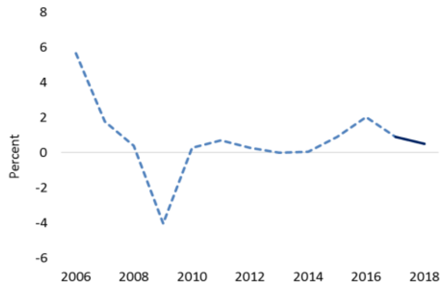
...international reserves remain under pressure.

Figure e. Foreign exchange reserves (millions of U.S. dollars and weeks)



Economic growth projection is modest.

Figure f. GDP growth (percent)



Sources: Central Bank of Barbados; International Monetary Fund, *World Economic Outlook* (October 2017); and the Ministry of Finance.

Barbados: Selected Economic Indicators

	2011	2012	2013	2014	2015	2016	2017(p)
(Annual percentage changes, unless otherwise indicated)							
Real sector							
Real GDP	0.7	0.3	0.0	0.0	0.9	2.0	1.0
Nominal GDP	2.9	-0.1	-0.9	-0.1	-0.5	-1.2	2.7
Inflation	9.4	4.5	1.8	1.8	-1.1	1.5	5.0
Unemployment	11.2	11.5	11.6	12.3	11.3	9.7	9.8
External sector							
Exports of goods and services (% change)	0.6	-5.2	0.0	-3.6	3.2	6.5	-1.3
Imports of goods and services (% change)	1.9	-4.8	-1.2	-1.5	-3.9	0.2	-2.8
Current account (percent of GDP)	-11.8	-8.4	-8.5	-9.4	-6.3	-4.6	-4.1*
International reserves (millions of U.S. dollars)	707.4	728.9	572.1	527.5	464.7	341.8	274.9*
International reserves cover (weeks)	18.0	20.2	15.6	14.8	13.7	10.5	8.6*
(In percentage of GDP, unless otherwise indicated, on a fiscal year basis)							
Public sector							
Total revenue	27.2	26.5	25.4	26.2	26.9	30.3	30.7[+]
Total expenditure	31.3	34.5	35.8	33.9	36.3	35.8	35.1[+]
Central government primary balance	1.5	-1.8	-3.8	-0.6	-2.1	2.6	3.0[+]
Central government overall balance	-4.1	-8.0	-10.4	-7.7	-9.4	-5.5	-4.4[+]
Debt indicators							
General government debt	77.6	82.0	93.5	99.4	105.8	109.0	106.3*
General government debt (inclusive of NIS holdings)	103.1	110.0	124.7	131.9	140.0	146.9	143.7*
Central government debt (excluding NIS) over revenues	283.6	310.9	369.6	380.5	394.5	356.4	336.5
External debt service as percentage of exports of goods and services	6.9	7.2	7.0	7.3	11.5	9.1	n.a

Sources: Central Bank of Barbados; International Monetary Fund, *World Economic Outlook* (October 2017); and the Ministry of Finance.
Note: (p) projected figures for 2017. NIS = National Insurance Scheme.
+ Budgeted figures for FY2017/18.
* Data as end September 2017.

Contributors: Mark Wenner and Elton Bollers

Year in Review

Guyanese authorities estimate that the economy will grow in real terms at 2.9 percent by year-end 2017, 0.4 percent below the revised figure for 2016. The three leading sectors during the year were agriculture, mining, and services, contributing to another year of positive growth.

The government attempted to stimulate the economy and address serious infrastructural deficiencies through a massive Public Sector Investment Program (PSIP), but the program encountered disbursement and execution issues. As of June 2017, the disbursement rate was 28 percent. As of November, no updated disbursement rate was available, but authorities indicate that execution is below target. As a result of the under-spending on the PSIP, the non-financial fiscal deficit is expected to be 5 percent of GDP, which is less than the 7.1 percent projected at the beginning of the year, even though a supplemental budget request for G$2.967 billion (US$141 million) was submitted and is expected to be approved by the Parliament.

The emerging oil and gas sector continued to advance. In June, a production license was granted to ExxonMobil. In October 2017, ExxonMobil announced another discovery at the Turbot-1 well, a reservoir of 75 feet of high-quality oil found in a sandstone formation. Given the estimated 2.25 to 2.75 billion barrels of recoverable oil found to date in the Stabroek block controlled by ExxonMobil, other oil companies are seeking to acquire rights to other blocks. The government has to decide whether to use an auction or engage in bilateral negotiations with each company. Despite a series of public lectures and conferences on how to manage this new resource and offers of technical assistance from various donors, progress on establishing a regulatory, legal, and policy framework for this new sector has been slow.

Interest rates remained stable and the financial system solvent. Prime lending rates[1] averaged 13 percent and saving rates averaged 1.11 percent. The inflation rate remains relatively low at 2 percent, but has increased from the 2016 level of 1.3 percent. The financial system remains solvent, albeit with a persistent high rate of non-performing loans, which stood at 13.75 percent of total loans as of September 2017.

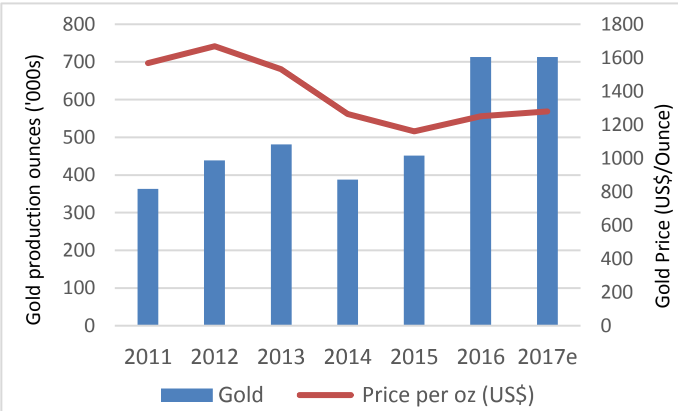
Highlights

- *Economic growth in 2017 decelerated compared to previous years.*
- *On November 27, the Ministry of Finance presented the 2018 budget totaling G$261.7 billion (US$1.3 billion), representing a 7.1 percent increase over the revised 2017 budget of G$244 billion.*
- *Gold continued to buoy the economy through the third quarter of the year. Declared output for the year is expected to be 712,706 ounces.*
- *ExxonMobil announced another oil find at the Turbot-1 well.*

Recent Developments

Gold production in 2017 is expected to reach 712,706 ounces, equal to the 2016 level of production. As of June 2017, 324,041 ounces had been declared, 65.7 percent of which came from small and medium-sized miners and the rest from two large foreign-owned mines. The global gold price has improved, averaging US$1,280 per ounce as compared to US$1,250 in 2016 (Figure 1).

Figure 1: Gold Production and Gold Prices



Sources: Guyana Bureau of Statistics; and www.goldprices.com.

Rice production for 2017 is projected at 602,087 metric tons, representing a 12.7 percent increase over 2016. New markets have been secured in Mexico and Cuba, representing success in diversifying markets outside of the traditional CARICOM and European Union markets.

[1] The average prime lending rate actually used by commercial banks applicable to loans and advances.

Sugar production is projected to be 152,000 metric tonnes in 2017. This reduction in output compared to the previous year is attributed in part to the Skeldon estate being inactive during the December 2016–July 2017 period due to unsafe steam boilers, which underwent massive repairs. Additional negative factors included unfavourable weather and frequent strikes (equivalent to almost 22,000 man days). The Special Purpose Unit, set up under National Industrial and Commercial Investments Limited (NICIL) with the mandate of divesting Guysuco's assets, is currently soliciting proposals from companies/persons with an interest in the privatisation and/or diversification of Skeldon, Rose Hall, and Enmore estates.

The forestry industry is expected to contract by 7.2 percent. Total production for 2017 is projected at 297,070 cubic meters, 10 percent lower than 2016. This reduction is a result of (1) non-renewal of several large concessions, accounting for 30 percent of total production; and (2) a reduced market in China for Wamara. Production in the second half of 2017 was expected to rise due to the reallocation of 54 State Forest Authorisations amounting to 206,000 hectares.

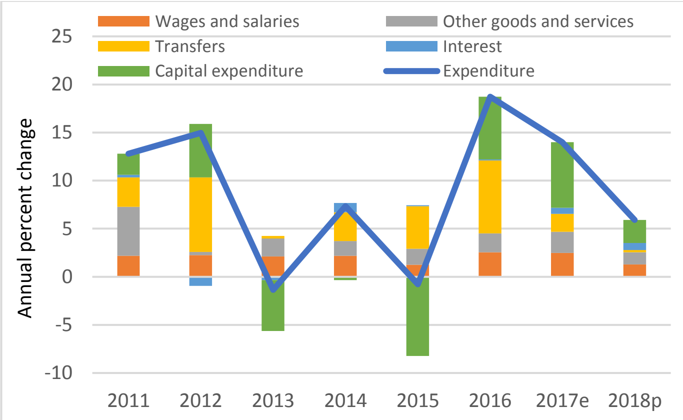
The fisheries industry is expected to expand by one percent in 2017. The slight growth is due to improved prices. During the year, the landed fish quantity was lower than the previous year. The lower catch is attributed in part to stronger enforcement of cross-border fishing regulations.

The services and construction sectors were expected to grow by 3.1 and 13.5 percent, respectively, in 2017. These improvements are attributed to increases in transportation and storage (3.9 percent), wholesale and retail trade (3.1 percent), and financial and insurance activities (5.8 percent), along with significant increases in private sector construction and measures aimed at improving the PSIP. The services sector continues to be the most dominant in order of size, representing over 50 percent of GDP.

The manufacturing sector is projected to grow by 3.6 percent in 2017, following a 9.5 percent contraction in 2016. This increase is primarily due to increased rice milling and to a lesser extent, production of paints, liquid pharmaceuticals, alcoholic and non-alcoholic beverages, stock feed, and light manufacturing.

Fiscal policy remains expansive, but inefficiencies in procurement, contracting, project supervision, and service delivery combine to constrain the growth of dividends. Fiscal expenditure is driven primarily by capital expenditure (Figure 2). In spite of large capital allocations, the government finds it difficult to spend its capital budget.

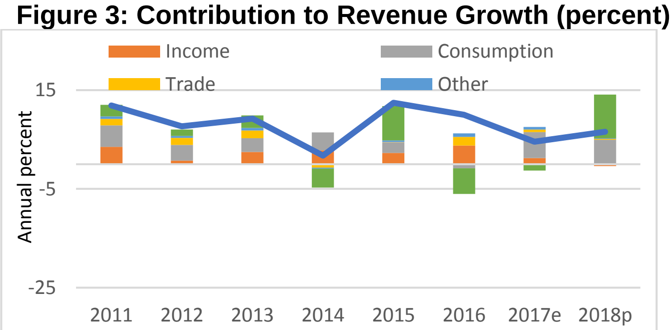
Figure 2: Drivers of Fiscal Expenditure (percent)



Sources: Ministry of Finance; and IMF Article IV Consultation.

Tax revenue in 2017 is expected to amount to G$192.7 billion (US$933 million), 8.7 percent more than collected in 2016. This growth is driven primarily by consumption taxes, followed by the income tax (Figure 3). Higher collections of the value-added tax (by 11.3 percent), excise taxes (13.2 percent), the withholding tax (40.8 percent), and company income taxes (16.4 percent) are projected to contribute to this improved tax revenue performance. Non-tax revenues are expected to amount to G$23.6 billion.

Figure 3: Contribution to Revenue Growth (percent)



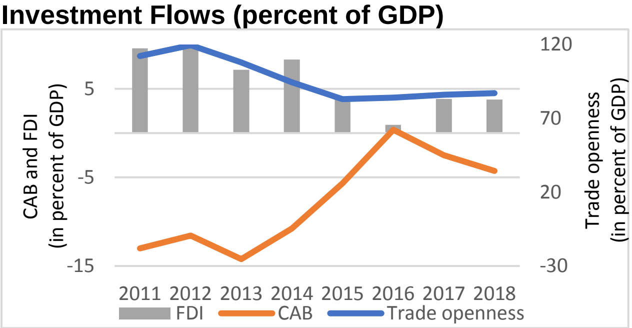
Sources: Ministry of Finance; and IMF Article IV Consultation.

Key rates remained stable during the year. The policy rate remained unchanged at 5 percent as of the third quarter of 2017. Also, the rate on 91-day Treasury bills remained unchanged at 1.54 percent during the year, well below the 2016 average of 1.85 percent. The rates for 182-day and 364-day Treasury bills declined to 1.15 percent and 1.23 percent, respectively. Treasury bills account for 54.2 percent of total liquid assets (US$115.5 billion).

Excess reserves stood at G$22.6 billion at the end of September 2017, 50 percent above the minimum requirement. The Bank of Guyana continues to mop up excess liquidity through the sale of Treasury bills. Broad money (M2) is projected to expand by 3.6 percent in 2017, resulting from an expected 5.8 percent increase in narrow money (M1) on account of expansions in demand deposits by 10.9 percent and a rise in currency in circulation by 6.6 percent . Net domestic credit is expected to increase by 8.1 percent. Quasi money is estimated to expand by 2 percent owing to expected increases in time and saving deposits of 3.1 percent and 1.9 percent, respectively.

The current account balance deteriorated to a projected negative US$235 million in 2017, following continued improvements in the current account balance over the previous four years (Figure 4). This is due to import growth at a rate of 12 percent, led by increases in capital goods, fuels and lubricants, and other goods (Figure 5). Although international oil prices remain low at around US$55 per barrel, Guyana's fuel bill is increasing. The capital account surplus increased marginally to US$212.9 million on account of higher net inflows in the form of foreign direct investment (FDI). The improvement in FDI is attributed mainly to investments in the nascent oil and gas sector. An uptick in FDI is expected to continue over the medium term as other oil wells are developed. Gold continues to be Guyana's number one export earner (Figure 5). Remittances, rice, and other exports also contribute significantly to the current account inflows, while bauxite, timber, and sugar contribute marginally.

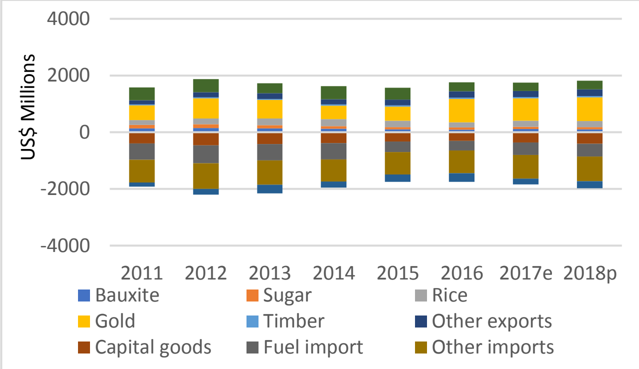
Figure 4: Current Account, Trade, and Foreign Direct Investment Flows (percent of GDP)



Sources: Bank of Guyana; and IMF Article IV Consultation.
Note: CAB: current account balance; FDI: foreign direct investment.

The official exchange rate remains stable at G206.50/US$1, while the average mid-rate among commercial banks is G$211.58/US$1. In addition, net international reserves continue to decline. As of September 2017, international reserves amounted to US$579.5 million, representing 3.4 months worth of import cover. This represents a decrease from the first half of 2017, when reserves averaged US$591.5 million. The internationally accepted benchmark for international reserve adequacy is an amount sufficient to cover three months of imports. Nonetheless, the government is forecasting that international reserves will rise to US$616.8 million by the end of the year after accounting for exports associated with second harvests of rice and sugar and more gold declarations and exports.

Figure 5: Current Account Flows (millions of U.S. dollars)



Sources: Ministry of Finance; Bank of Guyana; and International Monetary Fund.

Conclusion

Guyana's growth outlook over the medium term remains positive, but the quality of growth is wanting. While growth has been positive for over a decade, there has been no commensurate improvement in indicators of material well-being. For example, infant and maternal mortality remain persistently high, life expectancy gains are small compared to other nations, unemployment rates using International Labour Organization estimates remain in the double digits, and the population is declining, reflecting continued high rates of emigration. Persistent structural weaknesses and policy reform inertia are combining to reduce competitiveness, thwart diversification, and slow the improvements in indicators of social well-being. Institutional strengthening and policy reforms are needed.

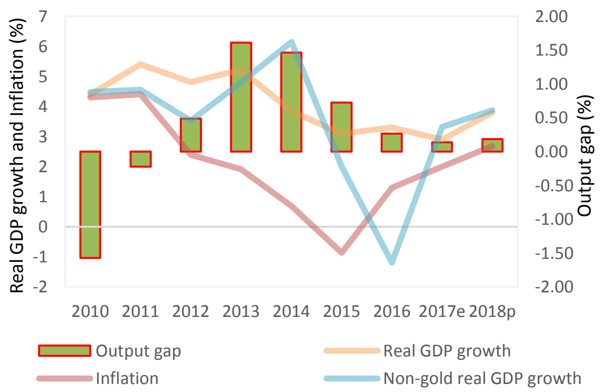
Table 1: High-Frequency Macroeconomic Indicators

	Last data	Period	Prior data	Period
Annual GDP gı	2.9	2017F	3.3	2016
Exports (12-mo	0.9	2017F	19.2	2016
Imports (12-mo	13	2017F	4.4	2016
Private sector c	13	2017F	4	2016
Inflation	2	2017F	1.3	2016
Exchange rate	206.5	2017F	206.5	2016

Note: F=Forecast

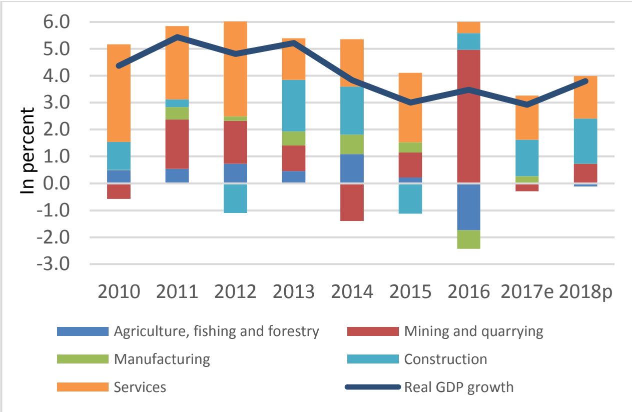
Growth is curtailed by weakened gold performance

Figure a: Real GDP Growth and Inflation (percent)



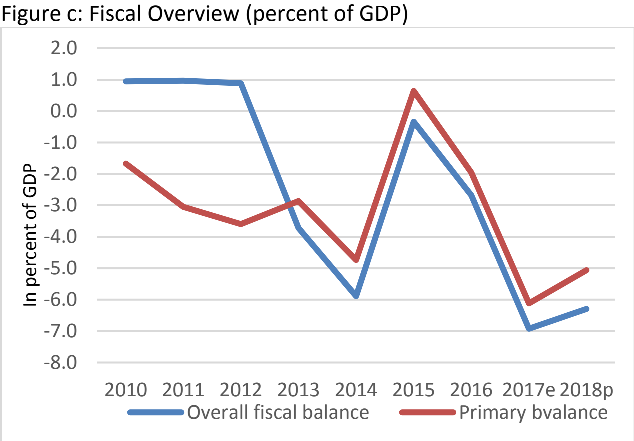
...but supported by strengthened services and construction sectors

Figure b: Sectoral Contribution to Real GDP Growth (percent)



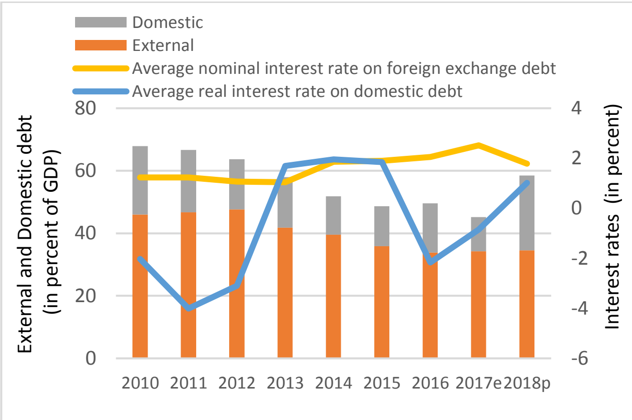
Meanwhile, the authorities' fiscal expansionary policy has rapidly deteriorated the fiscal balance.

Figure c: Fiscal Overview (percent of GDP)



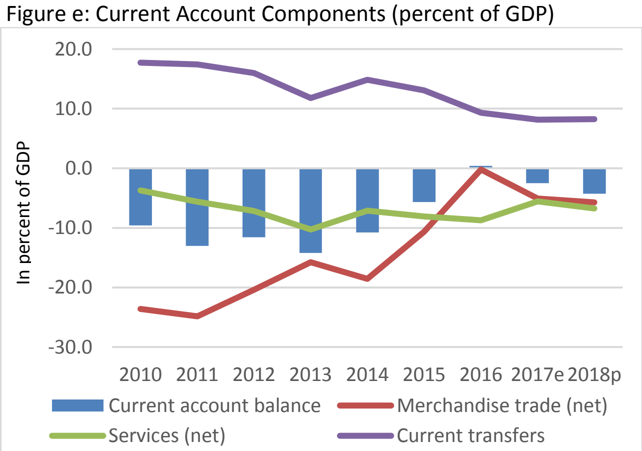
However, debt-to-GDP ratios remain below historical levels.

Figure d: Public Sector Debt (percent)



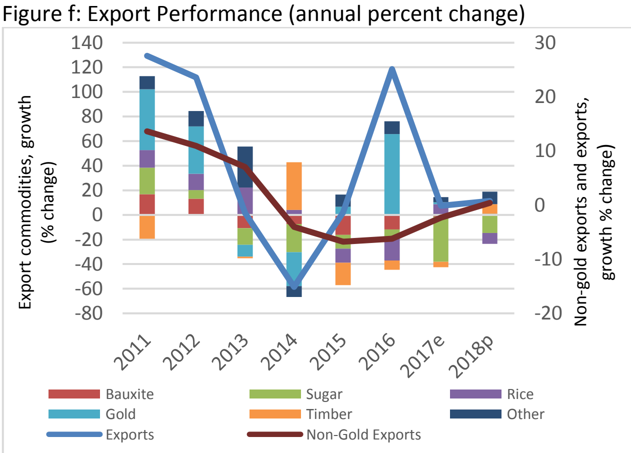
Despite lower oil prices, the terms of trade deteriorated.

Figure e: Current Account Components (percent of GDP)



Gold continues to dominate, but non-gold export growth rates are rebounding.

Figure f: Export Performance (annual percent change)



Sources: Ministry of Finance; Bank of Guyana; and International Monetary Fund.

Guyana: Selected Indicators

	2013	2014	2015	2016	2017 (P)
(Annual percentage changes, unless otherwise indicated)					
Real sector					
Real GDP	5.2	3.8	3.1	3.3	2.9
Nominal GDP (GYD millions)	613,653	635,377	660,227	723,245	N/A
Inflation (end of period)	0.9	1.2	-1.8	1.3	2
External sector					
Exports of goods	-2.8	-15.2	-1.4	19.2	0.9
Imports of goods	-7.5	-3.0	-16.7	4.4	13.0
Current account (percentage of GDP)	-13.3	-12.5	-5.7	0.38	-2.5
Remittances (percentage of GDP)	12.7	14.9	13.2	9.3	8.2
FDI (percentage of GDP)	7.2	8.5	4.0	0.9	3.9
(In percentage of GDP, unless otherwise indicated, on a fiscal year basis)					
Central government					
Revenue and grants	24.5	23.4	27.8	28.2	26.2
Current expenditure	19.6	21.1	22.5	24.0	24.6
Capital expenditure and net lending	12.2	14.0	5.8	9.8	15.0
Primary balance	-2.9	-4.7	0.6	-2.0	-6.1
Overall balance	-3.7	-5.9	-0.3	-2.7	-6.9
Debt indicators					
Central government debt	57.9	51.9	48.7	49.6	55.2
External public debt (end of period)	41.2	39.5	35.9	33.8	34.2

Sources: Central Bank of Guyana, Ministry of Finance, *World Economic Outlook* (October 2017).

Note: P: projected. FDI: foreign direct investment.

Contributor: Juan Pedro Schmid

Overview

Jamaica's economy remains stable with a positive outlook. Four years into its reform program, Jamaica has made important progress on several fronts. Following 13 successful reviews under the International Monetary Fund's (IMF) 2013 Extended Fund Facility (EFF), Jamaica successfully completed two reviews of the November 2016 Stand-By Arrangement (SBA) with the IMF. As a consequence, the economy remains stable while vulnerabilities have decreased. However, economic growth forecasts for FY2017/18 have been revised downwards after a weather-induced contraction in agriculture.[1]

Recent Developments

Jamaica's performance under the IMF program remains strong. On October 23, 2017, the IMF Board of Executive Directors completed the second review of the three-year precautionary SBA. As of today, Jamaica would be able to access SDR552 million (equivalent to approximately US$776 million).

The authorities have implemented changes to monetary and exchange rate policy. As part of the SBA, Jamaica is expected to move to an inflation-targeting regime. In this respect, the Minister of Finance announced in September 2017, for the first time, a medium-term inflation target of 4-6 percent. In addition, the Bank of Jamaica (BOJ) adopted the overnight interest rate as the new policy rate, which should strengthen the transmission of monetary policy. In terms of the foreign exchange market, the BOJ introduced a new foreign exchange trading tool, the Foreign Exchange Intervention and Trading Tool (B-FXITT), which should increase transparency and efficiency.

Economic Performance

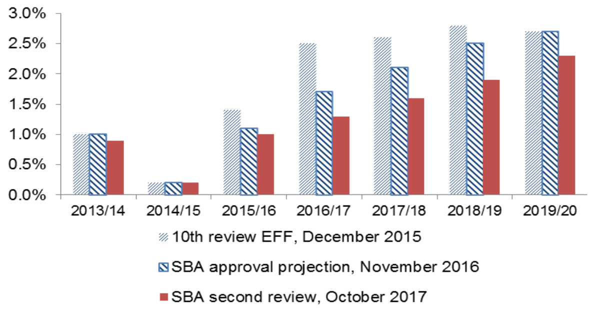
The macroeconomic environment remains positive. As of October 2017, inflation of 4.7 percent remained within the target band of 4-6 percent, while net international reserves of US$3.1 billion were above prudential levels. Given the remaining funds from the EFF, gross international reserves at end-September amounted to US$3.5 billion, equivalent to 23.6 weeks of imports of goods and services. The SBA also provides another US$776 million that could be accessed in case of a shock.

Growth in Jamaica remains weak. The government expects that growth for the current FY2017/18, which will end in March 2018, could end up at the lower end of the 1-2 percent government forecast. Similarly, the IMF revised its projected FY2017/18 and FY2018/19 growth to 1.6 and 1.9 percent, respectively (from projections of 1.9 and 2.5 percent six month ago). The revisions follow growth of 0.5 to 1.5 percent in the third quarter of 2017, weaker than the same period a year earlier. The slowdown was driven partly by a contraction of agriculture following floods in May 2017. Growth remains the Achilles' heel of the reform program, as the several growth forecast revisions illustrate (Figure 1).

Highlights

- *Jamaica successfully passed two reviews of the three-year precautionary Stand-By Arrangement with the International Monetary Fund.*
- *The macroeconomic environment remains positive.*
- *Growth continues to disappoint, as 2017 forecasts had to be revised downward following a weather-induced contraction in agriculture.*
- *While employment has been performing well, other social problems such as crime remain major challenges.*

Figure 1: Growth Projections: Old versus New, 2013/14–2019/20 (percent)



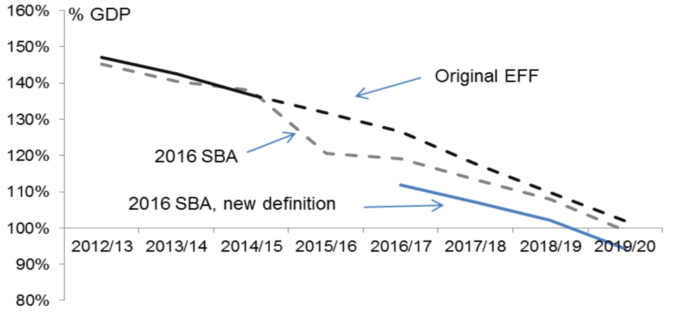
Source: Author's calculations based on information from the International Monetary Fund.
Note: SBA: Stand-by Arrangement; EFF: Extended Fund Facility.

Jamaica has made important advances in debt reduction. The debt-to-GDP ratio decreased from an estimated 145 percent in 2013 to 111 percent in March 2017. Part of the reduction is from the FY2015/16 Petrocaribe debt buyback, which generated an immediate 10 percent of GDP reduction in debt, and a change in the definition of public debt. However, even under the old definition, debt would have been reduced to 119 percent of GDP as of March 2017 (Figure 2).[2]

[1] Jamaica's fiscal year runs from April 1 – March 30.

[2] The major difference between the old and new definition is the exclusion of debt to the IMF held by the Bank of Jamaica.

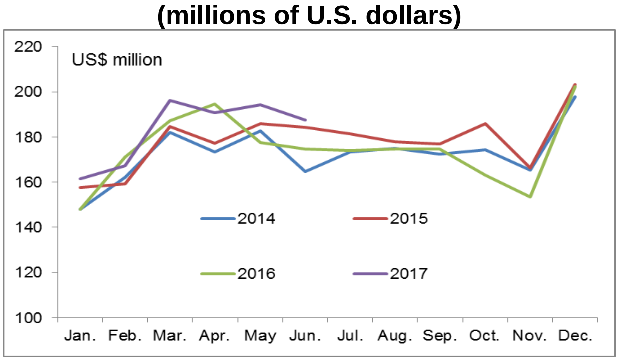
Figure 2: Debt-to-GDP Ratio: Old versus New Projections, 2012/2013–2019/2020 (percent of GDP)



Source: Author's calculations based on information from the International Monetary Fund.
Note: SBA: Stand-by Arrangement; EFF: Extended Fund Facility.

Remittances have continued to increase. Jamaica saw a sharp decline in remittances during the global economic crisis, but remittances have increased every year since 2009 (Figure 3). Based on current flows, they are again projected at around 15 percent of GDP, supporting the current account and acting as an important safety net for thousands of Jamaicans who receive them from abroad.

Figure 3: Monthly Net Remittances, 2012–2016 (millions of U.S. dollars)



Source: Author's calculations based on information from the Bank of Jamaica.

Tourism continues to perform well. Performance in the current year up to October was strong even though it varied by sender country (Table 1). Canada reversed the two years of decrease in visitor numbers, and the main market, the United States, continued to perform strongly. At the same time, the growth of arrivals from the United Kingdom continued to slow down, possibly related to the uncertainty over Brexit. However, mainland Europe (excluding the United Kingdom) showed strong growth in arrivals at 40.2 percent compared to the same period a year earlier.

Jamaica remains highly dependent on the United States for tourism. While Jamaica has been successful in attracting visitors from other countries, the country's tourism sector remains highly dependent on demand from the United States, which provides two-thirds of visitors, followed by Canada (16.7 percent) and the United Kingdom (9.9 percent). This dependence can backfire, as was evident during the global financial crisis when visitors, remittances from the United States, and exports all suffered at the same time.

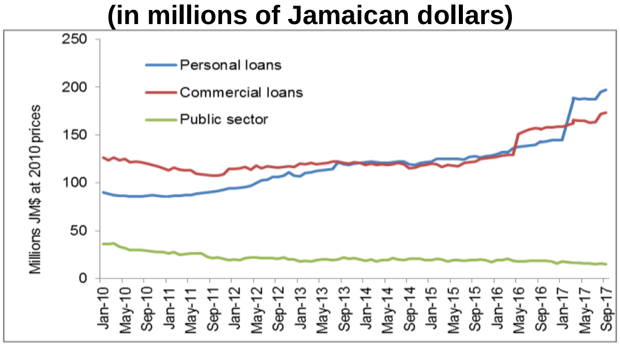
Table 1: Growth in Stay-Over Tourist Arrivals by Country, January-October (percent)

	2015	2016	2017
USA	3.6%	4.6%	6.2%
Canada	-6.0%	-6.7%	8.2%
Europe (excluding UK)	-13.7%	5.0%	40.2%
UK	15.0%	5.4%	3.2%
Others	3.3%	0.5%	2.4%
Total	2.1%	2.4%	7.0%
Number (thousands)	1,745	1,788	1,914

Source: Author's calculations based on information from Jamaica Tourist Board.

Low Treasury bill and policy rates are not fully reflected in loan rates. The 180-day Treasury bill rate has been 6 percent or below since early 2016, compared to a 6.6 percent average in 2015. In 2017, it declined further, standing at 4.26 percent as of the last auction in November 2017. In addition, the BOJ's new benchmark overnight deposit rate was reduced both in August and November 2017 and currently stands at 3.25 percent. However, while bank deposit rates have declined to below 2 percent, loan rates remain high by international comparison and in terms of the spread between lending and deposit rates (average loan rates were 14.64 percent in September 2017).

Figure 4: Commercial Bank Credit at Constant January 2010 Prices, January 2010 – September 2017 (in millions of Jamaican dollars)

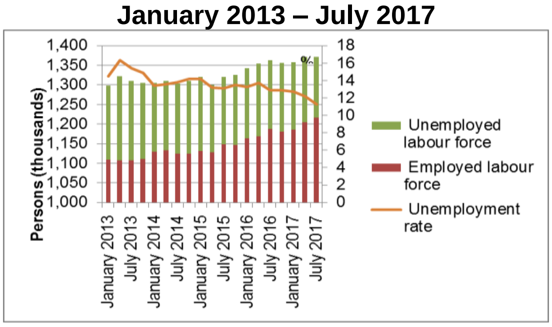


Source: Author's calculations based on information from the Ministry of Finance and the Public Service.

Credit growth is accelerating. Credit has been performing strongly, but part of the increase has been due to new entrants in the commercial banking sector (Figure 4). Private sector credit in Jamaica remains low by international comparison at around 30 percent of GDP, but the acceleration is in line with improved business confidence and bodes well for the growth outlook.

Employment has been increasing in line with improved economic conditions. The labour force has been continuously growing over the last three to four years. However, the share of persons employed increased faster, leading to a decline in the unemployment rate, which has dropped from 16.3 percent in April 2013 to 11.3 percent as of July 2017, the lowest level since 2009. In addition, employment has increased even more, as around 100,000 more persons are working in 2017 than in 2013, equivalent to an increase in the employed labour force by around 10 percent.

Figure 5: Employed and Unemployed Labour Force, January 2013 – July 2017



Source: Author's calculations based on information from the Ministry of Finance and the Public Service.

Crime remains a key challenge for the country. Following several years of decline, homicides have increased in 2017. Other violent crimes have declined but the rise in homicides has strong, negative effects on Jamaicans. In addition, it is acknowledged that crime has a direct, negative effect on economic performance. A recent study suggests that if Jamaica's homicide rate had been at the average level of the world from 1995 to 2011, the economy would have grown by 1.6 percent more than it did.[3]

Outlook

The IMF program continues to be a central anchor for economic policy. The ongoing SBA deepens the reforms of the successful EFF. Key areas include public sector efficiency, rebalancing from direct to indirect taxes, strengthening the social safety net, and reallocating public resources to infrastructure spending. While these efforts should facilitate economic growth, job creation, and social protection, the primary surplus is projected to remain at 7 percent of GDP for the medium term. In addition, the program foresees a strengthening of monetary operations to facilitate further advances towards inflation-targeting, including a commitment to maintaining exchange rate flexibility, and continuing to build precautionary reserves through market-based purchases of foreign exchange. Finally, financial sector stability should be increased by strengthening financial supervision, improving the crisis resolution framework, and further reducing vulnerabilities from securities dealers.

The current reform agenda is complex but could have important effects. The reform efforts aim to directly address some of the country's central development challenges. Most notably, modernization of the public sector can bring efficiency gains, reduce red tape and lead to a more effective public sector. Related to this, the introduction of the National Identification System can provide important efficiency gains, for instance by improving targeting of social programs or facilitating transactions of businesses with the public sector.

Jamaica's economic performance is expected to continue improving. Growth rates in 2018/19 and 2019/20 are projected to accelerate further to 1.9 and 2.5 percent, respectively. In the absence of strong increases in oil prices, inflation should remain within the target band of 4 to 6 percent, still well below historical levels. Similarly, the current account deficit is projected to remain below 4 percent (see the snapshot below for forecasts under the SBA).

Conclusion

Jamaica's economic growth over the last four years has been disappointing. While macro stability has begun to take hold, achieving higher growth has proven elusive. However, there are increasing signs that the Jamaican economy might finally reap the benefits of macroeconomic stabilization. Credit growth is accelerating, the business climate is buoyant, and various sectors are performing well. That being said, Jamaica continues to face macroeconomic vulnerabilities that require careful policies that are the foundation for lasting economic growth. In addition, the country's vulnerability to weather-related shocks remains a constraint to economic growth. While Jamaica has been spared by major hurricanes in the last few years, even tropical storms or droughts are sufficient to hurt the economy.

High Frequency Macroeconomic Indicators

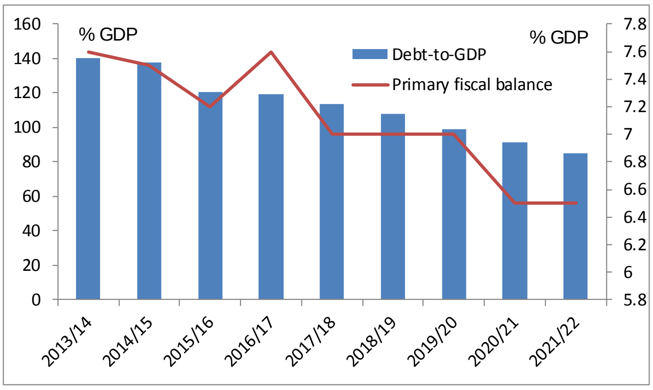
	Last data	Period	Prior data	Period
Real GDP Growth (y/y)	0.8	2017 Q2	-0.9	2017 Q1
Inflation (y/y)	4.7	Oct-17	4.4	Aug-17
Net international Reserves (US bil)	3.1	Nov-17	3.1	Oct-17
Exchange Rate (end of period)	126.1	Nov-17	128.6	Jun-17
Unemployment Rate (%)	11.3	Jul-17	12.2	Apr-17

Sources: Bank of Jamaica; and Statistical Institute of Jamaica.

[3] Heather Sutton and Inder Ruprah, *Restoring Paradise in the Caribbean: Combatting Violence with Numbers,* Inter-American Development Bank, Washington, DC. Available at: publications.iadb.org/handle/11319/8262.

Debt is projected to continue decreasing on the back of continued fiscal adjustment…

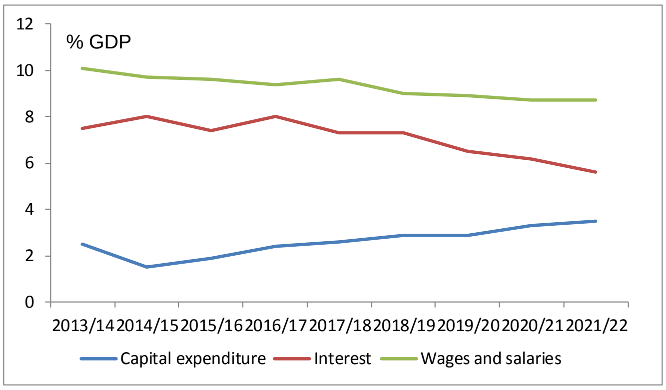
Figure A. Debt-to GDP and primary fiscal balance 2013/14 2021/22



Source: International Monetary Fund

…while capital expenditure should increase as interest payment and wages decrease.

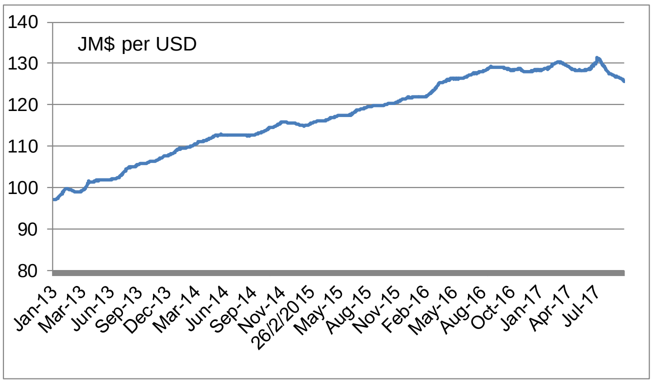
Figure B. Public expenditure by components, FY2013/14-FY2021/22



Source: International Monetary Fund

The JM$ has been appreciating against the US$...

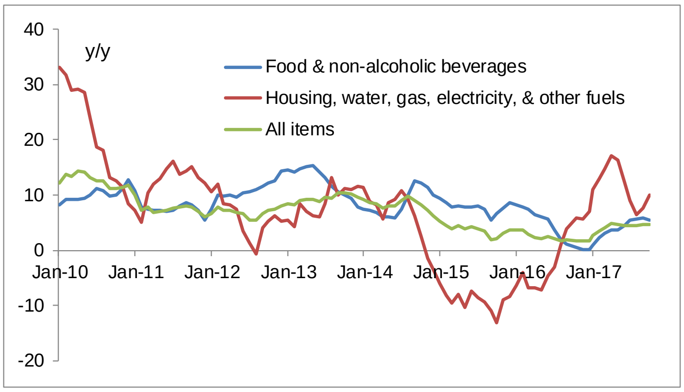
Figure C. Exchange rate JM$ versus US$



Source: Bank of Jamaica

...while inflation has normalized, leading to a real appreciation.

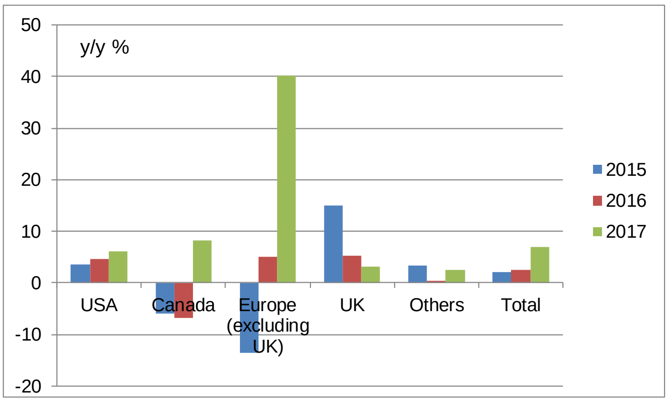
Figure D: Overall inflation and components



Source: International Monetary Fund.

Growth remains highly dependent on tourism…

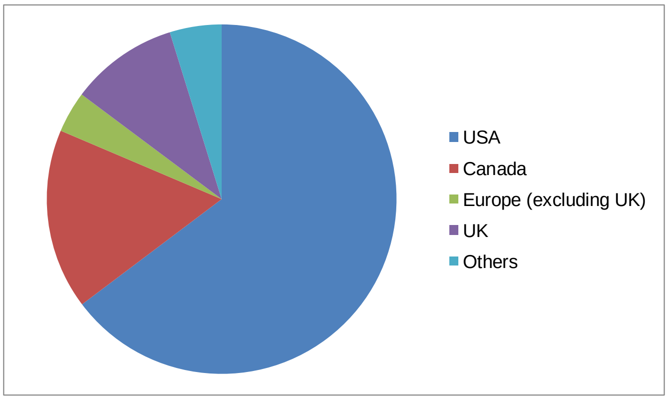
Figure E. Growth in tourism arrival (Jan-Oct)



Source: Bank of Jamaica

…which means arrivals from the United States.

Figure F. Tourism arrivals by residency



Source: Bank of Jamaica

Jamaica: Selected Indicators

	2013/14	2014/15	2015/16	2016/17 (Es)	2017/18 (P)
(Annual percentage changes, unless otherwise indicated)					
Real Sector					
Real GDP	0.9	0.2	1.0	1.3	1.6
Nominal GDP	9.2	7.3	7.6	5.6	6.0
Inflation (end of period)	8.3	4.0	3.0	4.1	4.5
Exchange rate (end of period)	109.6	115.0	122.0	128.7	…
External Sector					
Exports of goods (yoy, %)	-14.2	-5.6	-16.5	4.2	4.3
Imports of goods (yoy, %)	-7.3	-4.2	-15.8	3.6	4.8
Tourism receipts (yoy, %)	1.8	10.0	5.9	5.0	4.0
Current account (percentage of GDP)	-8.4	-6.6	-1.9	-2.5	-2.5
(In percentage of GDP, unless otherwise indicated, on a calendar year basis)					
Central Government					
Revenue and grants	27.2	26.3	27.0	28.0	28.7
Budgetary expenditure	27.1	26.8	27.3	28.4	29.0
Primary balance	7.7	7.5	7.1	7.6	7.0
Budget balance	0.1	-0.5	-0.3	-0.3	-0.3
Public sector balance	0.0	0.4	1.6	1.7	0.4
Treasury bill rate (percent, end of period)	8.0	7.0	5.8		
Debt Indicators					
Public sector debt	140.5	138.0	120.5	119.2	113.4
Public sector debt (new definition)				111.9	107.1
Public sector debt over revenues	516.4	491.6	0.0	399.6	373.2
Foreign currency public debt (end of period)	76.4	49.9	70.0	60.7	…
International Reserves					
Net international reserves (USD Mill)	1303	2294	2416	2762	3282
Gross international reserves (weeks of good and services imports)	14.4	19.4	23.3	24	…

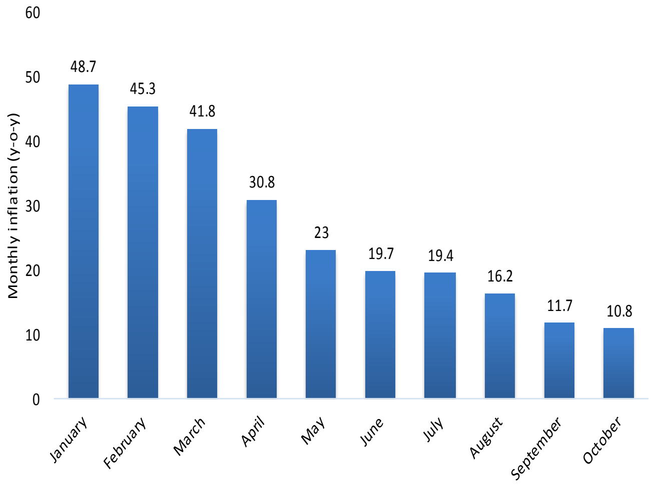
Sources: International Monetary Fund; and country authorities.
Notes: (Es): estimates, (P): projections.

Contributor: Jeetendra Khadan

The recession in Suriname continued in 2017. Real GDP is expected to decline by 1.2 percent in 2017, following a contraction of 10.5 percent in 2016 and 2.7 percent in 2015 (IMF 2017). The recession was largely caused by a sharp decline in the international prices of gold and oil and the closure of bauxite production that resulted in substantial fiscal and external imbalances and a run-down of international reserves. The authorities launched an adjustment program to restore macroeconomic stability that included cuts to government expenditure, adjustments to the exchange rate, and curbed monetary financing, among other measures. Suriname initially received support from the International Monetary Fund (IMF) in the form of a 24-month Stand-By Arrangement (SBA), as well as financing commitments from other international financial institutions. In May 2017, however, the government of Suriname cancelled the SBA, although macroeconomic reforms are expected to continue even in the absence of the arrangment.

Inflationary pressures have decelerated. From January-October 2017, monthly inflation (year-over-year) declined from 48.7 to 10.8 percent and is expected to drop into the single digits by the end of the year (Figure 1). After inflation increased from 3.6 percent in 2014 to 52 percent in 2016, the IMF projected an inflation rate of 9.1 percent by end-2017. The spike in inflation was largely attributed to higher costs for utilities and the exchange rate depreciation. The exchange rate has since stabilised at roughly US$1/SRD7.51, depreciating by 0.81 percent from January to end- November 2017.

Figure 1. Monthly inflation for 2017 (percent)



Source: Central Bank of Suriname.

Unemployment rates increased as the macroeconomic situation weakened. Estimates from the IMF suggest that Suriname's unemployment rate increased from 6 percent in 2013 to almost 11 percent in 2016. The unemployment rate declined to 9 percent in 2017 and is expected to further decline over the medium term, averaging roughly 7.5 percent for the period 2018–2022. The unemployment rate is higher for women than for men: In 2015, unemployment was 5.8 percent for men and 8.5 percent for women. Labour force participation for women is also much lower than for men: 53 percent compared to 78.4 percent in 2015.

Highlights

- *Inflationary pressures have decelerated.*
- *The current account has returned to surplus.*
- *Fiscal imbalances continued in the first seven months of 2017.*
- *Suriname's 2018 budget proposes a deficit of 5.5 percent of GDP.*
- *Suriname has been placed on a review for downgrade by Moody's.*
- *Suriname's National Assembly passed legislation to establish a Savings and Stability Fund and made changes that limit debt obligations.*
- *Suriname was ranked 165th out of 190 countries in the World Bank's 2018 Doing Business Report.*

Multidimensional poverty in Suriname is 12.2 percent. The "multidimensional" poverty index (MPI) is based on a broader definition of poverty covering overlapping deprivations in living standards, health, and education. In Suriname, 12.24 percent of the population lived in "multidimensional" poverty at end-2015 (UNDP 2016). Health contributes the most to the MPI (37.2 percent), with relatively equal contributions from living standards (31.8 percent) and education (31 percent).

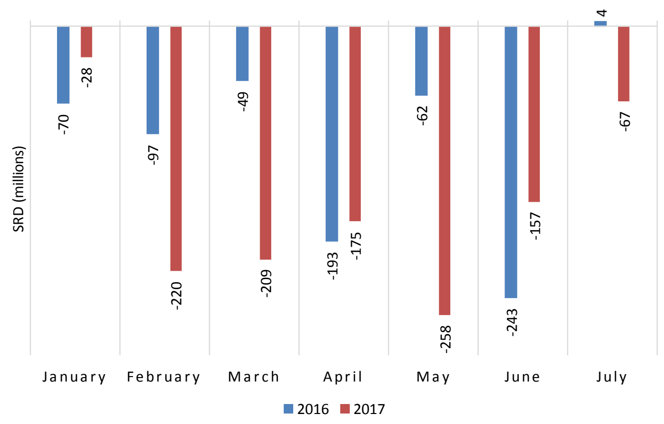
Fiscal imbalances continued in the first seven months of 2017. Suriname has been running persistent fiscal deficits since 2009 that reached a high of 9.9 percent of GDP in 2015. For the period from January-July 2017, the overall fiscal deficit was estimated to be 4.2 percent of GDP, compared to 3.5 percent for the same period in 2016 (Figure 2). The primary fiscal deficit was estimated at 6 percent of GDP in 2016 and is expected to decline to 2.5 percent in 2017.

Mining-related revenues have improved. Central government revenues were estimated at US$321.4 million for the first seven months of 2017.[1] This

[1] The exchange rate used was SRD7.51:/US$1 (IMF 2017).

represented a 26 percent increase over the same period in 2016. For the period from January-July 2017, tax revenues accounted for 72.3 percent of government revenues, with direct taxes contributing 57.4 percent and indirect taxes 42.6 percent. Mining revenues were the main contributor to the improvement in government revenues: they increased by 106 percent to US$84.9 million in 2017 from US$41.3 million for the same period in the previous year. Non-mining revenues also increased by 10 percent over the comparable period.

Figure 2. Monthly Fiscal Performance, 2016 and 2017 (millions of Surinamese dollars)



Source: Ministry of Finance, Suriname.

Expenditure in the first seven months of 2017 remained concentrated on wages and salaries and transfers and subsidies. Central government expenditure was estimated at US$469.7 million, 34 percent higher than for the same period in 2016. In terms of current expenditure, wages and salaries accounted for the largest share of government spending at 34 percent, followed by transfers and subsidies (30.8 percent), goods and services (21.8 percent), and interest payments (13 percent). Capital expenditure was estimated at US$43 million, 9.2 percent of total spending. The profile of government expenditure has remained largely similar to 2016.

Suriname's 2018 budget proposes a deficit of 5.5 percent of GDP. Government revenue is projected at 18.5 percent of GDP and government expenditure at 23.9 percent of GDP. In 2018, revenue is projected to increase marginally and expenditure to decline. The increase in revenue is expected to come mainly from direct taxes, while non-tax revenue as a percent of GDP is projected to decline by 1.2 percentage points. Current expenditure is expected to fall by 1.1 percent of GDP when compared to estimates for 2017, likely caused by lower interest payments and wages and salaries. On the other hand, capital expenditure is projected to increase by 0.7 percent of GDP. The medium-term fiscal framework projects fiscal deficits of about 4 percent of GDP annually for the period 2019 to 2021, with marginal changes in the profile of revenue and expenditure.

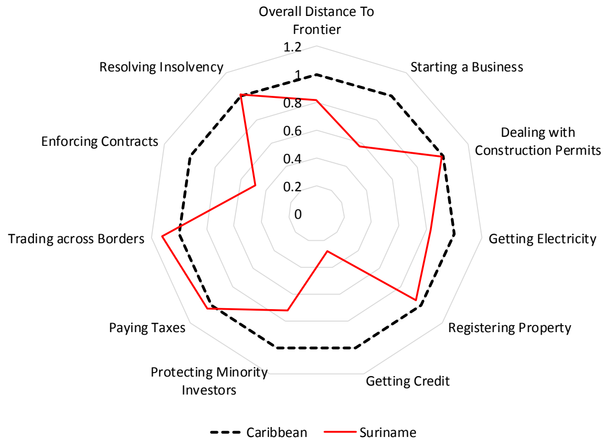
Suriname's general government debt is estimated to reach 63 percent of GDP at the end of 2017 (IMF 2017). The debt ratio increased from 29 percent in 2014 to an estimated 63 percent in 2017. Persistent fiscal deficits, exchange rate depreciation, and weak economic growth have contributed to a sharp increase in the debt ratio. The country's primary fiscal deficit increased from 1.5 percent of GDP in 2010 to 5.5 percent of GDP in 2016, reaching a high of 8.4 percent of GDP in 2015. Real GDP growth declined from an average of 4.4 percent over 2001–2014 to an average of -6.6 percent over 2015–2016. Together with these factors, a currency depreciation of 127 percent from 2010 to 2016 significantly raised the debt-to-GDP ratio between 2014 and 2016. The IMF estimates that the debt ratio would stabilise at about 65 percent of GDP over the medium term (see Figure f in the Snapshot of the Economy).

Suriname has been placed on a review for downgrade by Moody's. Fitch Ratings downgraded Suriname's long-term foreign and local currency Issuer Default Ratings (IDRs) to B- from B+ and maintained its negative outlook in February 2017. Standard and Poor's (S&P) also lowered Suriname's long-term sovereign credit rating from B+ to B, with a negative outlook in April 2017. In November 2017, Moody's placed Suriname's B1 long-term issuer rating and senior unsecured notes on review for downgrade. The main reasons for its decision included significant fiscal deterioration as reflected in higher-than-expected debt ratios; an expected slower pace of fiscal reforms in the absence of an IMF SBA; and increasing government liquidity risks, as financing has shifted toward short-term domestic debt issuance (Moody's 2017). A Moody's downgrade or confirmation of Suriname's rating at the current level would largely depend on the government's fiscal strength. In order for Suriname's B1 rating to be confirmed, Moody's indicated that planned reforms such as implementation of the value-added tax (VAT) and electricity tariff increases would be needed to increase the revenue base, reduce fiscal deficits and debt levels, and reduce Suriname's fiscal vulnerability to commodity price shocks in the future.

The current account returned to surplus in 2017. Suriname has recorded current account deficits since 2013, with the largest deficit of 16.4 percent of GDP in 2015. A current account surplus of US$91.9 million (equivalent to 2.5 percent of 2016 GDP) was realised in the first half of 2017, compared to a deficit of US$38.2 million for the same period in the previous year. The current account surplus was due mainly to a positive goods trade balance, as exports increased by 40 percent and imports decreased by 5 percent. The IMF has projected that at the end of 2017, the current account balance will improve to roughly 9.3 percent of GDP. International reserves increased to US$411.4 million at end-October 2018 (equivalent to roughly 2.96 months of import cover) from US$398.6 million in January 2017.

Suriname's National Assembly passed legislation to establish a Savings and Stability Fund (SSF) and made changes that limit debt obligations. The SSF will help to support macroeconomic stability in the long term. The Central Bank of Suriname will manage the fund for the first three years, after which time a supervisory board comprised of government, the central bank, and business and trade union representation will be established. In addition, in February 2017 the government established quantitative limits on debt obligations for the medium term. Further changes in 2017 limit debt obligations to the budget deficit: that deficit is not to exceed 6.5 percent of nominal GDP in the first year (2017). In the following years, if debt is above the allowed ceiling, the deficit can be at most 5 percent of nominal GDP. If debt still exceeds the debt ceiling after the fifth year, the Minister of Finance can only enter more debt obligations with approval by law (Suriname Debt Management Office 2017).

Figure 3. Suriname's Distance to Frontier Rating Relative to Caribbean Countries



Source: World Bank (2017).

Suriname was ranked 165th out of 190 countries in the World Bank's *2018 Doing Business Report*. This ranking reflected Suriname's performance on several indicators that assess the ease of doing business within countries. The overall distance to frontier indicator – which measures the distance of each economy to the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 – shows that Suriname will have improved by 0.11 of a percentage point in 2018 compared to 2017. The two principal areas of improvement were in registering a property and starting a business. Greater transparency in the transferring of properties was the main reason for its improvement in that area. However, Suriname regressed in some areas such as dealing with construction permits, getting electricity, and resolving insolvency. Relative to the Caribbean, Suriname underperforms in getting credit, protecting minority investors, registering a property, getting electricity, starting a business, and enforcing contracts (Figure 3).

The government is taking steps to address deficiencies relating to tax administration and tax collection. This is being done through an investment loan with the Inter-American Development Bank focused on reforms that will help the central government increase tax collection, improve the quality of expenditure, and monitor and evaluate the budget. Currently, tax compliance with respect to direct taxes is low, and due to resource constraints, the tax department is unable to identify all who should pay the wealth tax, thus resulting in a narrow base with low revenues (IDB 2016).

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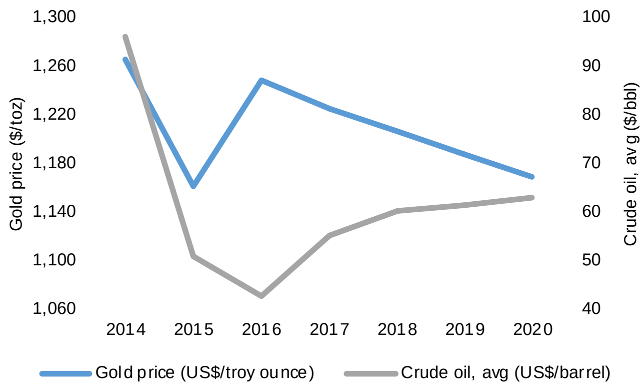
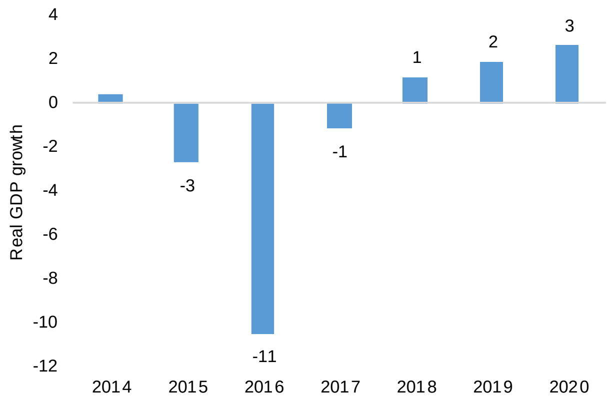
Figure a. Gold and crude oil prices



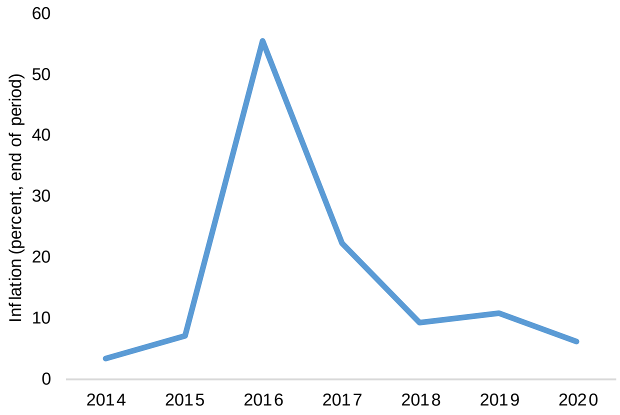
Source: World Bank Pink Sheet (2017).

Figure b. Real GDP Growth (percent)



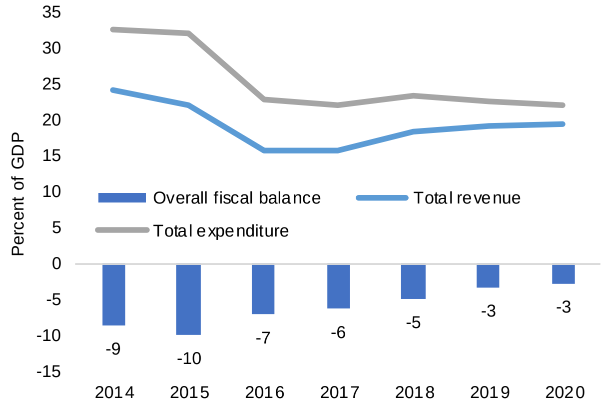
Source: IMF (2017).

Figure c. Inflation (percent)



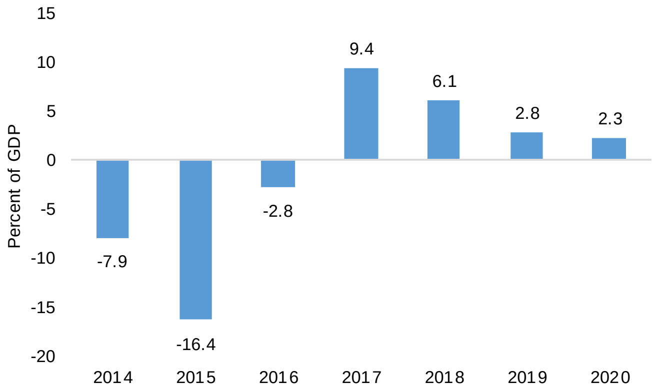
Source: IMF (2017).

Figure d. Fiscal Performance (percent of GDP)



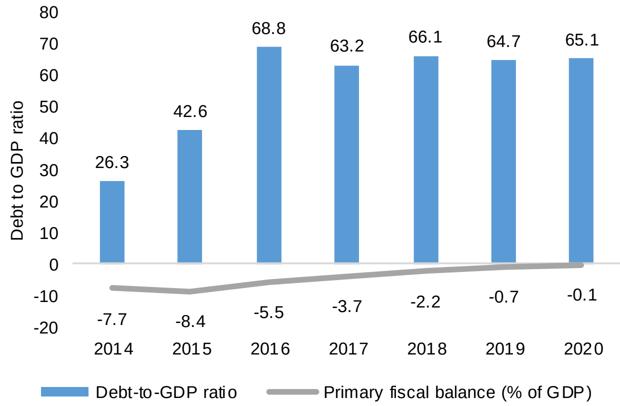
Source: IMF (2017).

Figure e. Current account balance (percent of GDP)



Source: IMF (2017).

Figure f. Debt and primary balance (percent of GDP)



Source: IMF (2017).

Suriname: Selected Indicators

	2013	2014	2015	2016	2017 (p)
(Annual percentage changes, unless otherwise indicated)					
Real sector					
Real GDP	2.9	0.4	-2.7	-10.5	-1.2
Nominal GDP	3.3	1.8	-3.6	35.5	21.9
Inflation (end of period)	0.6	3.9	25.1	52.4	9.1
Unemployment	6.0	7.0	8.3	11.0	9.1
Exchange rates (end of period)	3.3	3.3	4.0	7.4	7.5
(In percent of GDP, unless otherwise indicated, on a calendar year basis)					
External sector					
Exports (percent change, year on year)	-10.5	-11.2	-23.0	-12.4	54.0*
Imports (percent change, year on year)	9.0	-7.4	0.8	-38.5	-6.7*
Current account	-3.8	-7.9	-16.4	-2.8	9.4
Gross international reserves (US$ millions)	779	625	330	381	410.3**
In months of imports	3.4	2.8	2.1	2.6	2.9
Central government					
Revenue and grants	25.2	24.1	22.1	15.7	15.7
Total expenditure	32.8	32.7	32.1	22.8	22.0
Primary balance	-6.2	-7.7	-8.4	-5.5	-3.7
Overall balance	-7.6	-8.6	-9.9	-7.1	-6.3
Debt indicators					
General government gross debt	29.6	26.3	42.6	68.8	63.2
Domestic currency debt	15.2	10.9	21.5	14.7	15.8
Foreign currency debt	14.4	15.5	21.0	54.1	47.4

Sources: International Monetary Fund, World Economic Outlook, (October, 2017); Central Bank of Suriname; Ministry of Finance, Suriname.

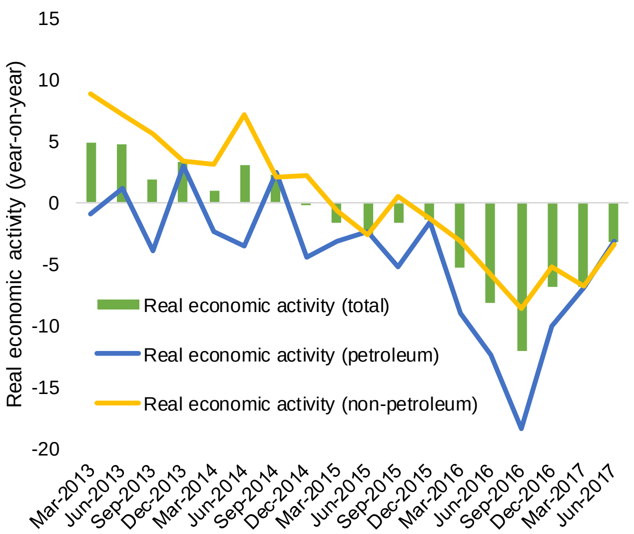
Notes: (p) denotes provisional figures.
* Data refers to the change in Q1 2017 compared to Q1 2016
**Data refers to end of November 2017

Contributor: Jeetendra Khadan

Main Developments in 2017

Trinidad and Tobago continues to be in a recession. Real GDP growth declined by 0.6 percent in 2014, 0.6 percent in 2015, and 5.4 percent in 2016 (IMF 2017a). The first two quarters of 2017 also saw negative real economic activity (Figure 1), and the International Monetary Fund (IMF) has forecast that real GDP growth at the end of 2017 will be -3.2 percent. The recession that started in 2015 was caused by adverse price and production conditions in the energy sector and stagnation of non-energy sectors. Real GDP growth of 1.9 percent is expected to return in 2018 and average about 1.6 percent over the medium term. The favourable outlook is largely premised on an expected increase in domestic natural gas production, and on the forecast that suggests the stabilisation of international oil and gas prices. These forecasts are, however, subject to considerable uncertainty.

Figure 1. Real Economic Activity (percent)



Source: Central Bank of Trinidad and Tobago.

The authorities are implementing adjustment measures in response to the decline in the energy sector. Some of the key measures include reforms to the energy tax regime, reduction in fuel subsidies, tax reforms to increase non-energy revenue, and a public expenditure review with the aim of identifying cost savings in social services, health, and education (IMF 2017b). The IMF (2017b) emphasised the need for structural reforms to unlock potential growth. Some of the main challenges to be addressed include removing distortions to the labour market, tackling inefficiencies in the public sector and state-owned enterprises, improving the business climate, and improving procurement practices.

Highlights

- *Real GDP growth is forecast to contract by 3.2 percent in 2017.*
- *Provisional estimates show an overall deficit of 8.5 percent of GDP for fiscal year 2016/17.*
- *The public-debt-to-GDP ratio increased to 59.3 percent of GDP in June 2017.*
- *The unemployment rate increased to 4.5 percent in the first quarter of 2017.*
- *Headline inflation slowed to 1.2 percent (year-on-year) in September 2017.*
- *Energy revenues improved in fiscal year 2016/17 but non-energy and capital receipts declined.*
- *The current account deficit narrowed to 2.2 percent of GDP in the first half of 2017.*

Inflation has remained subdued during the year. Headline inflation slowed to 1.2 percent (year-on-year) in September 2017, down from 3 percent for the same period in the previous year. Both food and core inflation eased during the year. Food inflation declined to 1.8 percent in September 2017 from 6.2 percent in September 2016, and core inflation (which excludes food prices) slowed to 1.1 percent from 2.3 percent the year before. The Central Bank of Trinidad and Tobago noted that the deceleration in inflation may be due to weaker aggregate demand associated with limited discretionary spending. Lower prices were recorded for foreign-used private motor vehicles, health, clothing and footwear, and miscellaneous goods and other services. With respect to food inflation, price declines were recorded for products such as bread and cereal, and meat, but were offset by supply disruptions associated with Tropical Storm Bret and higher international prices of dairy products (Central Bank of Trinidad and Tobago 2017a).

Unemployment has increased. The unemployment rate increased from 3.8 percent in the first quarter of 2016 to 4.5 percent in the first quarter of 2017. The petroleum and construction sectors reported the highest rates of unemployment at 9.1 and 8 percent, respectively.

Energy revenues improved in FY2016/17 but non-energy and capital receipts declined.[1] Central government revenues declined from 29.9 percent of GDP in FY2015/16 to 25.3 percent of GDP in FY2016/17- largely due to lower-than-expected capital and non-

[1] The fiscal year in Trinidad and Tobago runs from October to September.

energy revenues. After falling from 11 percent of GDP in FY2014/15 to 4.4 percent of GDP in FY2015/16, energy revenues improved to an estimated 5.2 percent of GDP in FY2016/17. Capital revenues declined from 2.5 percent of GDP to 1.1 percent of GDP over the same period. Projections suggest that energy and capital revenues will improve in the new fiscal year, reaching 6.4 and 4.1 percent of GDP, respectively. However, non-energy receipts are expected to further decline to 18.6 percent of GDP in FY2017/18 from 22.9 percent of GDP in FY2015/16 (Central Bank of Trinidad and Tobago 2017a).

Fiscal consolidation efforts continue. Central government expenditure was lower in FY2016/17 and is projected to further decline in FY2017/18. Central government expenditure was estimated at 33.8 percent of GDP in FY2016/17, a reduction of 1.4 percent of GDP compared to the previous fiscal year. The fall in current expenditure was largely due to a decline in spending on goods and services, and transfers and subsidies. The fall in transfers and subsidies was mainly due to lower transfers to households and statutory boards and similar bodies. Capital expenditure also declined by 0.5 percent of GDP, largely due to administrative delays and variations in some projects. However, expenditure on wages, salaries and interest payments rose by 4.4 percent and 20.6 percent, respectively (Central Bank of Trinidad and Tobago 2017a).

Fiscal imbalances worsened in 2017. Trinidad and Tobago has been running persistent fiscal deficits since 2012. Provisional estimates show an overall deficit of 8.5 percent of GDP for FY2016/17, higher than the deficit of 5.3 percent of GDP recorded in the previous year. The authorities have also projected a deficit of 3.2 percent of GDP for FY2017/18 (Central Bank of Trinidad and Tobago 2017a). The non-energy deficit was estimated at 13.7 percent of GDP in FY 2016/17, and is projected to decline to 9.5 percent of GDP in FY2017/18. The primary fiscal deficit for FY2016/17 was estimated at 5.5 percent of GDP and is projected to decline to 0.7 percent of GDP in 2017/18.[2] The fiscal deficit is being financed partly through drawdowns from the Heritage and Stabilization Fund and borrowings from the domestic and external markets.

Public debt continues to rise. Trinidad and Tobago's public-debt-to-GDP ratio (i.e., domestic debt excluding sterilised debt, external debt, and contingent liabilities) increased to 59.3 percent of GDP in June 2017, up from 56.9 percent of GDP in December 2016. Both central government domestic and external debt increased during that period. The authorities borrowed TT$5.7 billion through the issuance of five bonds on the domestic market for budgetary support. However, the increase in domestic debt was partially offset by principal repayments of TT$1.2 billion on existing debt (Central Bank of Trinidad and Tobago 2017a). External debt increased marginally from US$3,141.2 million at the end of September 2016 to US$3,164.7 million as at June 2017.

Trinidad and Tobago's sovereign credit ratings have deteriorated in 2017. The country received downgrades from both Moody's and Standard and Poor's in April 2017. Moody's downgraded Trinidad and Tobago's issuer rating to Ba1 from Baa3 and changed the country's outlook from stable to negative. The main reasons for its decision included significant fiscal deterioration and rising debt levels; a weakened energy sector characterised by declining output from maturing oil and gas fields, limited investment prospects, and low energy prices; and an insufficient policy response from the authorities. Standard and Poor's also lowered Trinidad and Tobago's sovereign credit rating to BBB+ from A- for similar reasons.

The monetary policy stance remains neutral. The Central Bank of Trinidad and Tobago maintained the repo rate at 4.75 percent in November 2017. In arriving at its decision, the Central Bank's Monetary Policy Committee considered the slow pace of private sector credit growth, the possibility of a further narrowing of the Trinidad and Tobago-United States interest rate differential, domestic economic activity, and the trajectory of inflation.

Liquidity levels decreased in the first 10 months of 2017. Commercial banks' excess reserves had a monthly average of TT$3.1 billion for the period from January to October 2017, compared to a monthly average of TT$4 billion for the same period in 2016. The decline in the liquidity level reflected a decline in net domestic fiscal injections and sales of foreign exchange to authorised dealers.

The current account deficit has narrowed. The current account balance deteriorated from a surplus of 3.9 percent of GDP in 2015 to a deficit of 11.3 percent in 2016, mainly due to declining energy volumes and prices. In the first half of 2017, the current account deficit declined to 2.2 percent of GDP, much lower than the 8.7 percent recorded for the same period in the previous year. This improvement reflected an estimated 18.5 percent increase in both energy and non-energy exports, respectively, a small increase in energy imports (7.2 percent), and a decline in non-energy imports (3 percent). External competitiveness as measured by the trade-weighted real effective exchange rate also improved by 1.9 percent (year-on-year) in the first half of 2017.

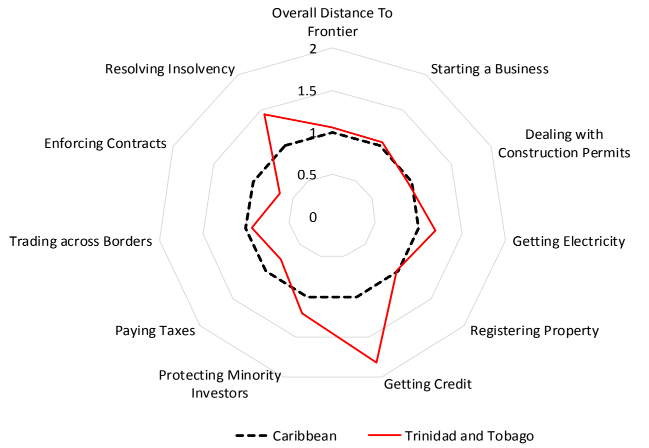
[2] Projections are based on an oil price of US$48 per barrel and a natural gas price of US$2.25 per million British thermal unit.

Foreign reserves continue to fall. Net official reserves declined by 15 percent (year-on-year) at the end of September 2017. The country's net official reserves stood at US$8.5 billion or 9.8 months of prospective imports of goods and non-factor services as at September 2017. It is expected that lower foreign exchange inflows from the energy sector will persist in the short term, thus putting pressure on the central bank to draw down on reserves to meet foreign exchange demand.

The nominal exchange rate remained steady amidst continued shortages of U.S. dollars. The TT dollar depreciated by 0.05 percent over the period from January to November 2017, after a 7 percent depreciation in the first half of 2016. Despite interventions by the central bank, the local foreign exchange market remained relatively tight during 2017. The central bank reported that this was largely due to lower energy sector conversions. Compared to the previous year, U.S. dollar purchases from the public declined by 21.1 percent during January-October 2017, while sales to the public increased by 9.9 percent for the same period. The main drivers of foreign exchange sales (exceeding US$20,000) as reported by authorised dealers were retail and distribution (24.1 percent), credit card (22.5 percent), manufacturing (8.6 percent), and automobile companies (5.8 percent) (Central Bank of Trinidad and Tobago 2017a). The IMF (2017b) noted the foreign exchange shortage is having a deleterious impact on business relationships, as local firms are facing difficulties in sourcing foreign exchange to service debts with foreign suppliers. Moreover, reports by market participants suggest that black market foreign exchange transactions are increasing (IMF 2017b).

Trinidad and Tobago was ranked 102nd out of 190 countries in the World Bank's *2018 Doing Business Report.* This ranking reflected the country's performance in areas that affect the performance of enterprises. The overall distance to frontier indicator, which measures the distance of each economy to the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005, shows that Trinidad and Tobago will have fallen by 0.19 percentage points in 2018 compared to 2017. The main areas of decline were paying taxes (1.5 percentage points), resolving insolvency (0.26 of a percentage point) and getting electricity (0.11 of a percentage point). Paying taxes became costlier as Trinidad and Tobago increased the rates for the environmental tax and social security contributions paid by employers (World Bank 2017). Nevertheless, in relative terms with respect to the rest of the Caribbean, Trinidad and Tobago performs better in starting a business, getting electricity, getting credit, protecting minority investors, and resolving insolvency. However, it underperforms in dealing with construction permits, registering property, paying taxes, trading across borders, and enforcing contracts (Figure 2). Trinidad and Tobago was ranked 83rd out of 137 countries on the World Economic Forum's 2017–2018 Global Competitiveness Index. A poor work ethic, inefficient government bureaucracy, corruption, foreign currency regulations, and crime and theft were identified as the most problematic factors for doing business in the country.

Figure 2. Trinidad and Tobago's Distance to Frontier Rating Relative to Other Caribbean Countries



Source: World Bank (2017).

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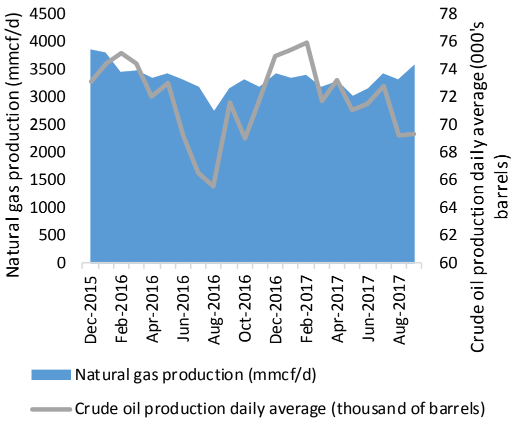
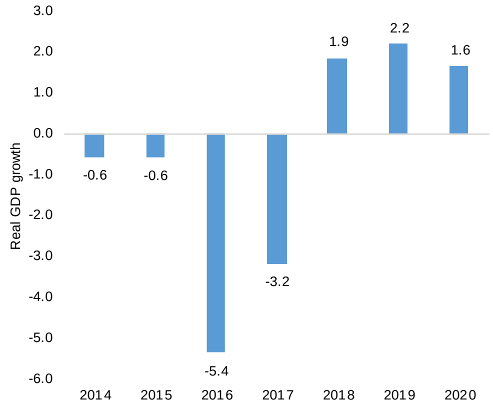
Figure a. Energy Sector Production



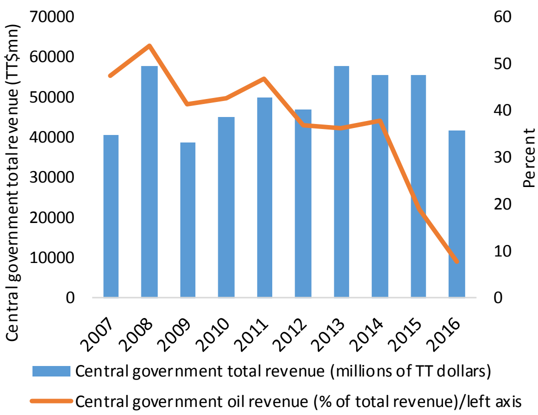
Source: Central Bank of Trinidad and Tobago.

Figure b. Real GDP Growth (percent)



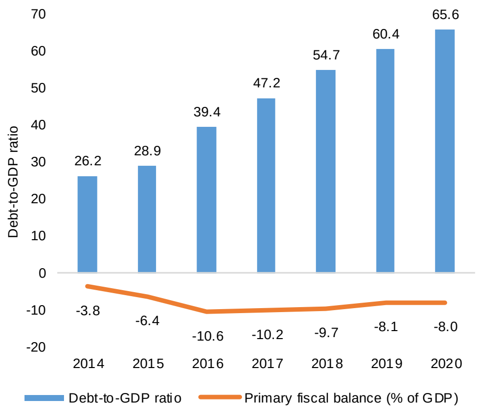
Source: IMF (2017a).

Figure c. Central Government Revenues



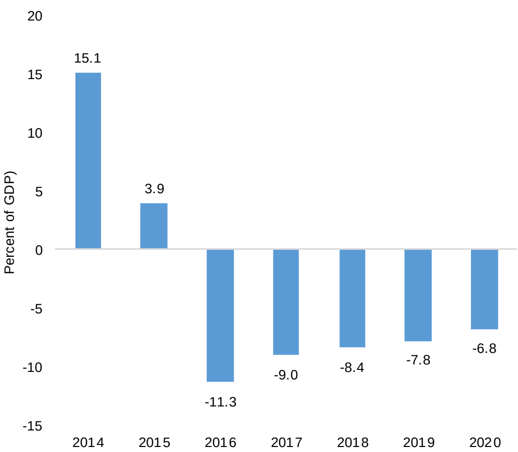
Source: Central Bank of Trinidad and Tobago.

Figure d. Debt and Primary Balance (percent of GDP)



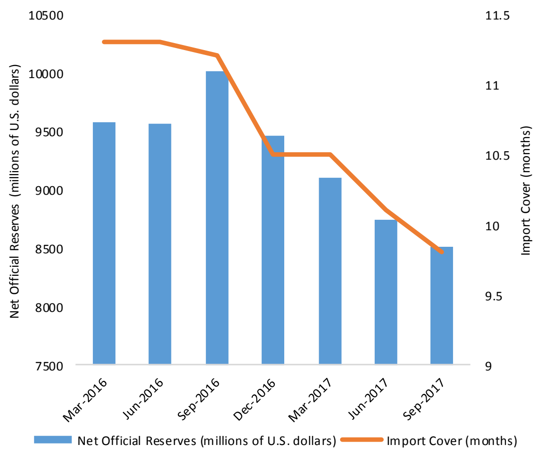
Source: IMF (2017a).

Figure e. Current Account Balance (percent of GDP)



Source: IMF (2017a).

Figure f. Official Reserves and Import Cover



Source: Central Bank of Trinidad and Tobago.

Trinidad and Tobago: Selected Indicators

	2013	2014	2015	2016	2017 (p)
(Annual percentage changes, unless otherwise indicated)					
Real sector					
Real GDP	2.7	-0.6	-0.579	-5.4	-3.2
Nominal GDP	3.1	-1.5	-10.4	-6.2	-1.0
Inflation (end of period)	5.7	8.4	1.6	3.1	3.2
Unemployment	3.7	3.3	3.4	4.1	4.1
Exchange rates (end of period)	6.5	6.4	6.4	6.8	7.0
(In percent of GDP, unless otherwise indicated, on a calendar year basis)					
External sector					
Exports (percent change, year on year)	7.8	-14.9	-25.6	-25.9	18.5*
Imports (percent change, year on year)	1.1	-14.4	0.5	9.0	0.61*
Current account	20.5	15.1	3.9	-11.3	-9.0
Gross international reserves (US$ millions)	10,176	11,497	9,933	9,466	8,736
In months of imports	12.2	12.9	11.2	10.5	10.1
Central government					
Revenue and grants	31.2	31.2	30.2	23.9	24.5
Total expenditure	34.1	36.8	38.8	36.6	37.5
Primary balance	-1.3	-3.8	-6.4	-10.6	-10.2
Overall balance	-2.9	-5.6	-8.6	-12.7	-13.0
Debt indicators					
General government gross debt	25.3	26.2	28.9	39.4	47.2
Domestic currency debt	19.7	18.7	20.6	24.9	29.0
Foreign currency debt	5.4	7.5	9.2	15.1	18.3

Sources: International Monetary Fund, World Economic Outlook, (October, 2017); and Central Bank of Trinidad and Tobago.

Notes: (p) denotes provisional figures.

*Data refers to the change in Q2 2017 compared to Q2 2016

Contributors: Juan Pedro Schmid and Shamar Blenman

Overview[1]

The 2017 hurricane season severely impacted two of the OECS island states. Dominica and Barbuda were battered by two separate hurricanes in 2017 that have crippled their economies. Rebuilding will require substantial support from the international community. Tourism continues to be the driving force of the region's economies, but the UK tourism share continues to decline. Signs of fiscal slippage have emerged while the private sector remains challenged by a lack of credit.

Highlights

- *Dominica and Barbuda were severely damaged by hurricanes*
- *Fiscal consolidation is required to meet the ECCB's 60 percent of GDP target by 2030.*
- *Credit to the private sector continues to fall.*

Macroeconomic Developments

Dominica was devastated by Hurricane Maria in September. Preliminary results from a rapid damage and loss assessment jointly conducted by the World Bank, the United Nations, the Caribbean Development Bank, the Eastern Caribbean Central Bank (ECCB), and the European Union estimate total damage and losses of 200 percent of GDP (US$1.3 billion). Public infrastructure, electricity, telecommunications networks, housing, and agriculture suffered the greatest damage. The latest United Nations Situation Report confirmed a death toll of 31 persons, with 37 persons still reported missing.[2]

The World Bank is preparing a financial package of over US$100 million for Dominica. The package will provide immediate support to farmers, rebuild resilient public infrastructure, and help create financial buffers. In addition, the World Bank made US$10 million available immediately following the hurricane to help support small farmers reconstitute their livelihoods. The Inter-American Institute for Cooperation on Agriculture also provided funding for over 130,000 seedlings to be planted in Dominica to help redevelop the food production sector.

The island of Barbuda was left totally uninhabitable following a direct hit from Hurricane Irma, also in September. According to the Comprehensive Satellite-Detected Building Damage Assessment conducted by the United Nations Institute for Training and Research (UNITAR-UNOSAT), 89 percent of the buildings on the island either sustained damage or were destroyed. The hospital, schools, the two airport hotels, and all utilities (water, electricity, and telecommunications) were rendered inoperative. On September 9, Prime Minister Gaston Browne ordered mandatory evacuations of the island, having declared it uninhabitable.

Total visitor arrivals to the OECS increased over the first half of 2017. Total visitor arrivals increased by 9.1 percent over the first half of the year, with the cruise passenger segment driving this increase with growth of 12.2 percent (Table 1). Importantly, total visitor expenditure was estimated to have increased from US$301.25 million in the first half of 2016 to US$335.73 million by end of June 2017. However, results were not the same across countries. Grenada and Dominica saw declines in total arrivals of 11 and 3 percent, respectively, in the first half of 2017. Total visitor expenditure in Antigua and Barbuda and St. Vincent and the Grenadines declined by 4.1 and 5.9 percent, respectively, despite higher visitor arrivals. This is a result of lower long-stay arrivals, which declined by 5.4 percent in Antigua and Barbuda and 5.9 percent in St. Vincent and the Grenadines. This highlights the importance of long-stay arrivals to tourism in the OECS. Long-stay arrivals across the sub-region from the United Kingdom fell by 2 percent, continuing a trend that started following the Brexit referendum.

Table 1: Tourism Statistics, January-June 2017 (percent change)

Country	Total Visitors	Long-Stay Visitors	Cruise Ship Passengers	Total Visitor Expenditure
Antigua and Barbuda	8.7	-5.4	14.5	-4.1
Dominica	-3.1	16.3	-7.7	14.9
Grenada	-11.1	5.4	-16.7	24.0
St. Kitts and Nevis	17.7	-3.5	20.4	13.6
St. Lucia	16.6	7.9	24.5	18.7
St. Vincent and the Grenadines	5.6	-5.9	16.8	-5.9
OECS	**9.1**	**2.1**	**12.2**	**11.4**

Source: Eastern Caribbean Central Bank.

Slippages in fiscal accounts were seen over the first six months of 2017. There were overall fiscal deficits in Antigua and Barbuda, Dominica, and St. Vincent and the Grenadines as of end-June. In the corresponding period in 2016, each of these countries saw fiscal surpluses. Moreover, while St. Kitts and Nevis and St. Lucia

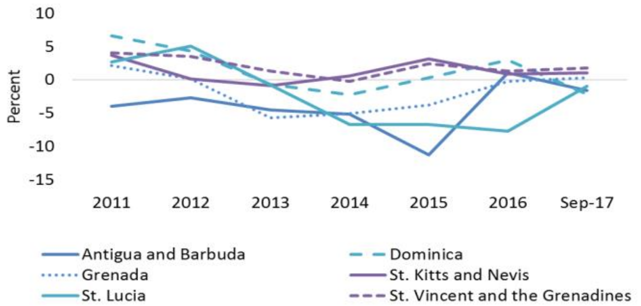
[1] This bulletin focuses on developments in the independent member countries of the OECS: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Vincent and the Grenadines, and St. Lucia. Figures exclude territories that are members of the OECS.

[2] Hurricane Maria Situation Report No. 11 (as of November 16, 2017)

maintained fiscal surpluses in 2017, the surplus fell from US$33.97 million in 2016 to US$7.96 million in 2017 in St. Kitts and Nevis, and from US$18.04 million to US$3.4 million in St. Lucia. Notably, in St. Kitts and Nevis, this decrease was primarily the result of lower non-tax revenues, most of which come from its Citizenship by Investment Programme (CIP). Grenada's fiscal position improved in 2017, with the overall surplus moving from US$13.45 million to US$19.36 million.

Access to credit remains a challenge in the OECS. Throughout the currency union, credit to the private sector declined by 0.4 percent over the first nine months of 2017. However, there was some heterogeneity across the sub-region, with an expansion of credit in St. Vincent and the Grenadines (1.8 percent), St. Kitts and Nevis (1.1 percent), and Grenada (0.3 percent). Contraction in credit to the private was seen in Dominica (-2.1 percent), Antigua and Barbuda (-1.6 percent) and St. Lucia (-1 percent). Notably, since 2012 St. Lucia and Antigua and Barbuda have seen contractions in credit to the private sector of 20 and 19 percent, respectively, while in Grenada such credit fell by 14 percent (Figure 1).

Figure 1: Credit to the Private Sector in the OECS (percent)

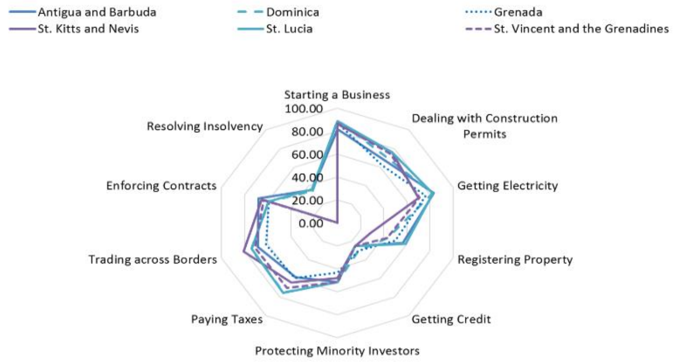


Source: Eastern Caribbean Central Bank.

Prices were stable during the first half of 2017. The highest inflation rates at end-June were in St. Vincent and the Grenadines and St. Lucia, with end-of-period consumer price indexes of 1.6 and 0.9 percent, respectively. In St. Vincent and the Grenadines, inflation was driven by higher price indexes for household furnishings, supplies and maintenance, and communication; in St. Lucia higher price indexes were driven by housing, utilities, gas and fuels, and transport. At the same time, Dominica, Grenada, and St. Kitts and Nevis all had inflation of 0.3 percent, while inflation in Antigua and Barbuda declined slightly by 0.1 percent.

The World Bank's *2018 Doing Business Report* shows that there is room for improving the business climate in the OECS. St. Lucia was ranked highest at 91st out of 190 countries, while Grenada had the lowest ranking at 142nd. However, both of these countries along with St. Vincent and the Grenadines saw slips in their rankings relative to 2017: St. Lucia dipped from 86th to 91st, St. Vincent and the Grenadines from 125th to 129th, and Grenada from 138th to 142nd. On the positive side, Dominica improved from 101st to 98th, while Antigua and Barbuda improved from 113th to 107th. St. Kitts and Nevis held steady with a ranking of 134th. According to the distance to frontier measure,[3] starting a business (a rating of 86.57 on the scale) and getting electricity (77.74) are the most advantageous aspects of the business climate in the OECS. However, considerable attention should be paid to resolving insolvency (a rating of 17.58 on the scale) and getting credit (26.67) (Figure 2).[4]

Figure 2: Doing Business Distance to Frontiers Indicator



Source: World Bank, *2018 Doing Business Report.*

The ECCB launched its new Strategic Plan in October 2017 entitled *The Strategic Plan 2017–2021: Transforming the Eastern Caribbean Currency Union Together.* It seeks to achieve the following goals: maintain a strong and stable Eastern Caribbean dollar; ensure a strong, diversified, and resilient financial sector; be the advisor of choice to participating governments in pursuit of fiscal and debt sustainability; actively promote the economic development of member territories; and enhance organisational effectiveness to ensure responsiveness and service excellence.

The International Monetary Fund concluded the 2017 discussion on the common policies of the Eastern Caribbean Currency Union (ECCU)[5]. The IMF noted that in 2016 favourable external conditions supported

[3] An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance rating and 100 the frontier.
[4] These figures are averages of the six OECS countries covered in this bulletin.
[5] IMF Country Report No 17/150, June 14, 2017. Available at: https://www.imf.org/~/media/Files/Publications/CR/2017/cr17150.ashx.

economic recovery, but growth was weakened by "flat tourism receipts and falling revenues from citizenship programs." Also, within the union there was a slight deterioration in the fiscal position, while public debt remained unsustainably high. Within this context, the IMF underscored "the need to place public debt on a path consistent with the 2030 regional benchmark of 60 percent of GDP" and suggested the "adoption of credible fiscal frameworks, strengthened by fiscal responsibility legislation" as a possible option to achieve this. The IMF also suggested that the sub-region build resilience against natural disasters by investing in infrastructure and ex-ante financing arrangements, and that revenues from CIPs be used toward this end. The members of the OECS were also cautioned to strengthen legislation on anti-money laundering and combatting the financing of terrorism (AML/CFT) and to promptly activate the Eastern Caribbean Asset Management Company, which would accelerate banks' disposal of their bad assets.

The IMF completed its sixth and final review under the Extended Credit Facility Arrangement for Grenada. The IMF noted that the core objectives of the three-year programme were met: restoring fiscal sustainability, strengthening the financial sector, and setting the stage for sustainable growth. Under the programme, Grenada restructured debt and implemented fiscal reforms, most notably the Fiscal Responsibility Law, Public Debt Management Act, and Public Finance Management Act. At the end of 2016, debt fell to 83.4 percent of GDP from 108 percent at end-2013.[6] Nevertheless, the IMF warned that debt levels remain elevated and efforts should continue to reach medium-term debt targets.

St. Kitts and Nevis opened the Caribbean's first Park Hyatt Hotel in November 2017. Construction of the hotel, the Park Hyatt St. Kitts Christophe Harbour, had begun in 2014. The 126-room luxury resort will employ 300 local permanent staff. During the construction phase, the project pumped over US$27 million into the local economy.

Outlook

The outlook for the OECS has been set back by the damage sustained during the 2017 hurricane season, in particular Dominica. The ECCB forecasts that Dominica's economy will contract by 8.3 percent in 2017 due to damage from Hurricane Maria amounting to 200 percent of GDP. Although Barbuda also sustained significant damage, the twin-island nation of Antigua and Barbuda is expected to rebound to register growth of 2.7 percent. Moderate growth is expected in Grenada (2.9 percent), St. Lucia (2.8 percent), and St. Kitts and Nevis (2.1 percent), while low growth is projected for St. Vincent and the Grenadines (0.8 percent).

Risks to this outlook are balanced. There is an ongoing favourable external environment that should continue to support demand for tourism services as well as foreign direct investment inflows. Low oil and commodity prices are also growth-positive for islands that are highly dependent on imports. However, oil prices could rise in 2018, with negative effects on external balances. Demand from the United Kingdom may continue to decline as its government begins to negotiate Brexit deals. Increased competition among member states for CIP inflows could reduce revenues as countries cut investment criteria to attract more investors. This would have a knock-on effect on the construction sector that is to some degree fuelled by these inflows. Additionally, natural disasters in the form of tropical storms or floods are perennial threats to these economies.

Policy changes are needed to attain fiscal and debt sustainability. A report published by the IDB, *Together for Prosperity in the OECS,* estimates that four of the member states need fiscal adjustments over the next three years (2018–2020) to place them on a path to achieving the ECCB's target of reducing debt to 60 percent of GDP by 2030.[7] According to debt simulations, Dominica requires an adjustment of 6.2 percent of GDP; Antigua and Barbuda, 3.75 percent of GDP; St. Lucia, 2.7 percent of GDP; and St. Vincent and the Grenadines, 1.8 percent of GDP.[8] Based on current policies, St. Kitts and Nevis and Grenada are projected to reach the 60 percent of GDP target by 2018 and 2021, respectively, way in advance of the 2030 deadline.

[6] IMF Country Report No 17/131, published in March 2017, notes that the debt-to-GDP ratio fell to 83.4 percent of GDP. However, the IMF's October 2017 *World Economic Outlook* update put debt at 82.1 percent of GDP at end-2016. Available at: https://www.imf.org/~/media/Files/Publications/CR/2017/cr17131.ashx.

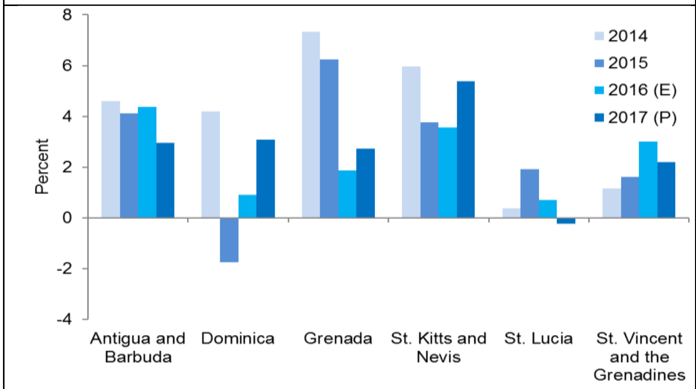
[7] The report is available at https://publications.iadb.org/handle/11319/8570.

[8] These simulations were undertaken before the 2017 hurricane season.

The OECS Countries at a Glance

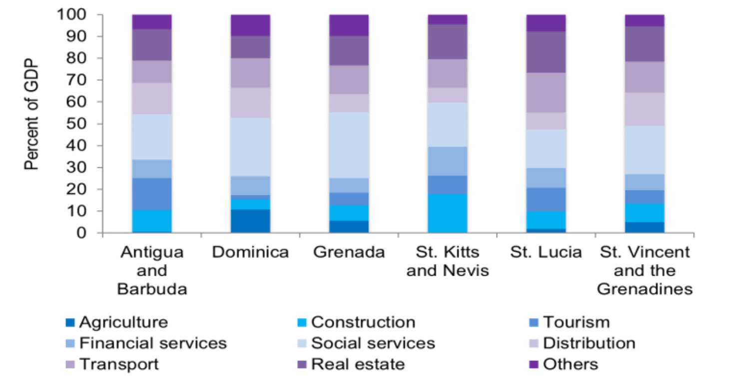
Growth is recovering in the OECS countries…

Figure a. Real GDP Growth, 2014–2017 (percent)



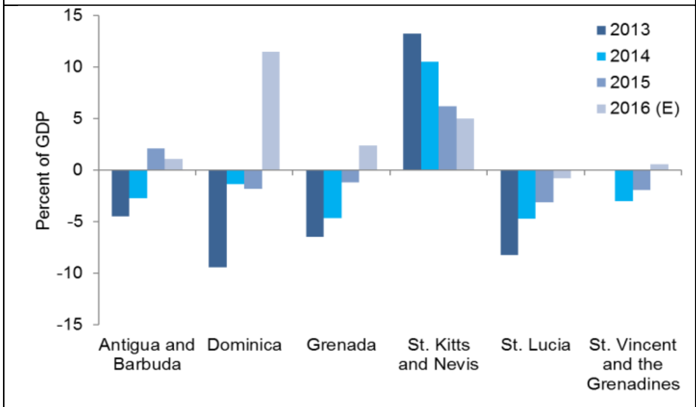
…with tourism, construction, and agriculture leading the way.

Figure 2. Contribution to GDP, 2016 (percent of GDP)



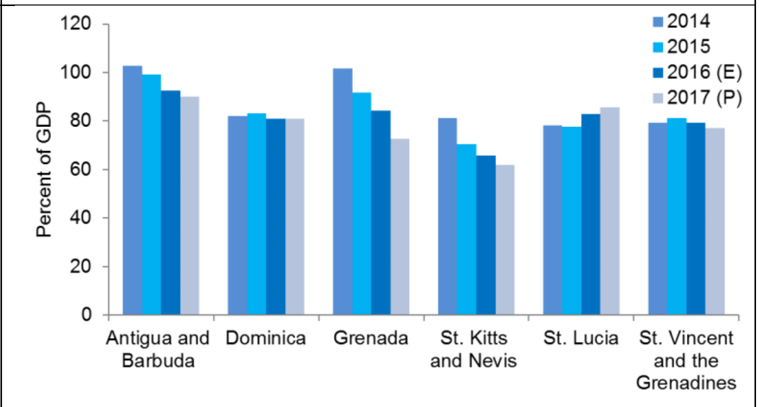
Fiscal deficits are declining…

Figure c. Fiscal Deficit, 2013–2016 (percent of GDP)



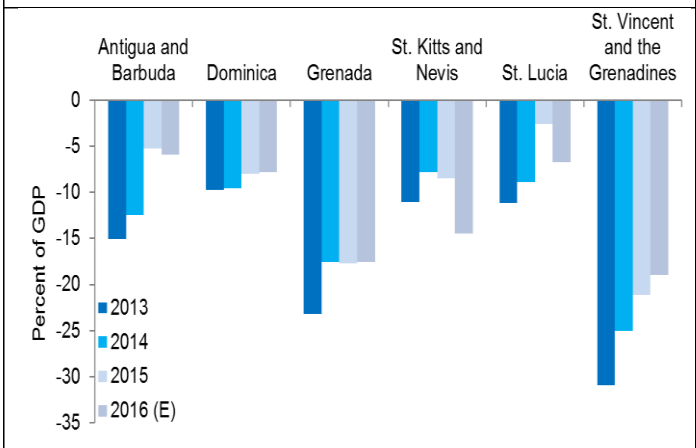
…but debt continues to accumulate.

Figure d. Central Government Debt, 2014–2017 (percent of GDP)



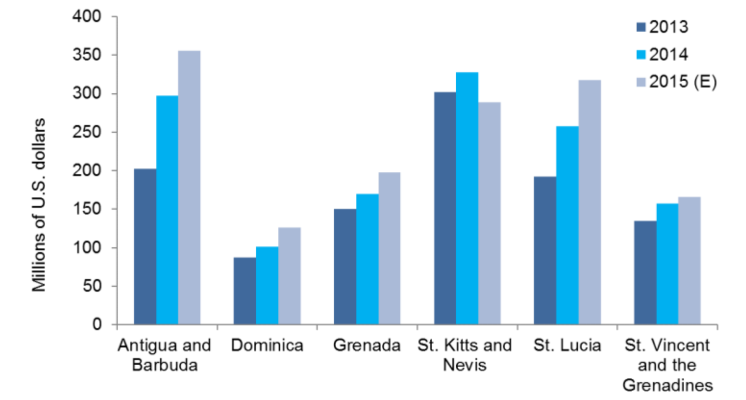
Current account deficits are high…

Figure e. Current Account Balance, 2013–2016 (percent of GDP)



…but reserves improved over time.

Figure f. Gross International Reserves, 2013–2015 (millions of U.S. dollars)



Sources: Eastern Caribbean Central Bank; and International Monetary Fund, *World Economic Outlook* (April 2017).

The OECS: Selected Economic Indicators

	2012	2013	2014	2015	2016 (R)	2017 (P)
Antigua and Barbuda						
Annual percentage change unless otherwise indicated						
Real Sector						
Real GDP	3.5	(0.1)	5.1	4.1	5.3	2.7
Nominal GDP	6.1	(1.5)	7.3	6.6	7.0	4.4
Consumer prices (end of period)	1.8	1.1	1.3	0.9	(1.1)	...
Consumer prices (period average)	3.4	1.1	1.1	1.0	(0.5)	...
Annual percentage change unless otherwise indicated						
External Sector						
Exports of goods and services	3.2	(1.5)	3.2	4.0	1.5	(2.6)
Imports of goods and services	17.2	(7.5)	6.1	(19.3)	2.0	1.9
Current account (percent of GDP)	(14.8)	(15.1)	2.0	6.8	0.2	1.4
In percent of GDP						
Public Sector						
Total revenue	19.8	18.6	19.7	23.6	24.3	...
Current expenditure	20.5	21.8	20.8	20.0	20.4	...
Capital expenditure and net lending	0.6	1.3	1.6	1.4	3.9	...
Primary balance	1.1	(2.4)	(0.1)	4.5	2.4	...
Overall balance	(1.3)	(4.5)	(2.7)	2.2	(0.0)	...
General government gross debt	86.7	94.9	102.1	98.2	86.2	83.7
In millions of EC dollars						
Memo						
Nominal GDP at market value	3,270.8	3,220.9	3,456.3	3,685.2	3,942.4	4,114.6
Dominica						
Annual percentage change unless otherwise indicated						
Real Sector						
Real GDP	(1.1)	(0.6)	4.4	(2.5)	2.6	(8.3)
Nominal GDP	(3.0)	3.3	4.3	2.2	8.7	(7.3)
Consumer prices (end of period)	1.3	(0.4)	0.5	(0.7)	0.7	...
Consumer prices (period average)	1.4	(0.1)	0.8	(0.9)	0.1	...
Annual percentage change unless otherwise indicated						
External Sector						
Exports of goods and services	(16.0)	28.0	45.2	10.1	7.2	7.7
Imports of goods and services	(7.9)	0.1	39.9	5.9	7.6	16.3
Current account (percent of GDP)	(17.3)	(9.8)	(7.2)	(1.9)	0.8	(6.2)
In percent of GDP						
Public Sector						
Total revenue	27.7	28.3	32.1	30.0	67.8	...
Current expenditure	24.1	26.0	25.2	26.1	25.2	...
Capital expenditure and net lending	12.8	11.9	8.6	5.7	10.2	...
Primary balance	(7.6)	(7.5)	0.1	(0.0)	34.1	...
Overall balance	(9.2)	(9.6)	(1.7)	(1.8)	32.4	...
General government gross debt	72.8	81.0	81.1	77.2	72.7	69.4
In millions of EC dollars						
Memo						
Nominal GDP at market value	1,312.2	1,355.3	1,413.9	1,444.8	1,570.0	1,455.7

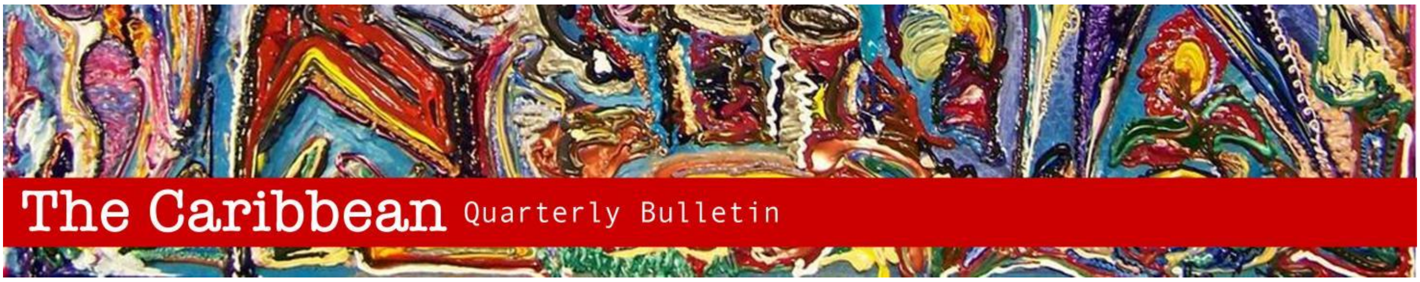
Sources: Eastern Caribbean Central Bank; and International Monetary Fund, *World Economic Outlook* (October 2017).
Notes: (R) – Revised; (P) – Projections.

	2012	2013	2014	2015	2016 (R)	2017 (P)
Grenada						
Annual percentage change unless otherwise indicated						
Real Sector						
Real GDP	(1.2)	2.4	7.3	6.4	3.7	2.9
Nominal GDP	2.7	5.3	8.2	9.4	5.9	5.1
Consumer prices (end of period)	1.8	(1.2)	(0.6)	1.1	0.9	...
Consumer prices (period average)	2.4	(0.0)	(1.0)	(0.5)	1.6	...
Annual percentage change unless otherwise indicated						
External Sector						
Exports of goods and services	(4.4)	(1.7)	15.9	5.6	4.5	(4.1)
Imports of goods and services	(0.4)	10.6	(5.9)	22.1	4.0	3.4
Current account (percent of GDP)	(21.1)	(23.2)	(4.4)	(3.8)	(3.2)	(7.1)
In percent of GDP						
Public Sector						
Total revenue	20.7	20.6	24.5	24.5	26.4	...
Current expenditure	21.2	20.3	20.0	17.3	19.8	...
Capital expenditure and net lending	5.0	6.8	9.2	8.3	4.7	...
Primary balance	(2.1)	(3.4)	(1.2)	2.1	4.7	...
Overall balance	(5.5)	(6.5)	(4.7)	(1.2)	1.8	...
General government gross debt	103.3	108.1	101.8	90.6	82.1	70.7
In millions of EC dollars						
Memo						
Nominal GDP at market value	2,159.7	2,275.1	2,461.0	2,691.9	2,851.7	2,997.6
St. Kitts and Nevis						
Annual percentage change unless otherwise indicated						
Real Sector						
Real GDP	(0.6)	6.2	6.0	4.0	2.2	2.1
Nominal GDP	(2.5)	7.3	7.6	3.6	3.6	4.6
Consumer prices (end of period)	0.5	0.6	(0.6)	(2.4)	0.0	...
Consumer prices (period average)	0.8	1.1	0.3	(2.3)	(0.7)	...
Annual percentage change unless otherwise indicated						
External Sector						
Exports of goods and services	7.3	16.8	16.4	9.9	1.6	(5.9)
Imports of goods and services	(6.5)	23.3	6.3	12.4	6.0	(2.7)
Current account (percent of GDP)	(7.6)	(11.1)	(4.9)	(9.7)	(11.4)	(12.8)
In percent of GDP						
Public Sector						
Total revenue	42.4	46.2	43.4	40.1	34.8	...
Current expenditure	27.6	26.3	27.2	26.9	27.0	...
Capital expenditure and net lending	3.6	6.7	5.7	7.0	3.3	...
Primary balance	17.1	17.0	13.9	8.2	6.2	...
Overall balance	11.2	13.2	10.5	6.2	4.6	...
General government gross debt	137.9	101.1	81.4	70.6	65.6	61.7
In millions of EC dollars						
Memo						
Nominal GDP at market value	1,983.0	2,128.0	2,289.0	2,371.4	2,456.6	2,569.7

Sources: Eastern Caribbean Central Bank; and International Monetary Fund, *World Economic Outlook* (October 2017).
Notes: (R) – Revised; (P) – Projections.

	2012	2013	2014	2015	2016 (R)	2017 (P)
St. Lucia						
Annual percentage change unless otherwise indicated						
Real Sector						
Real GDP	0.2	3.4	(0.2)	2.0	1.7	2.8
Nominal GDP	(0.1)	3.7	4.2	6.3	1.1	2.9
Consumer prices (end of period)	5.0	(0.7)	3.7	(2.6)	(2.8)	...
Consumer prices (period average)	4.2	1.5	3.5	(1.0)	(3.1)	...
Annual percentage change unless otherwise indicated						
External Sector						
Exports of goods and services	(4.3)	3.0	5.2	11.2	(8.2)	10.2
Imports of goods and services	(8.4)	(1.1)	3.0	1.2	22.0	2.9
Current account (percent of GDP)	(12.2)	(9.8)	3.3	6.8	(1.9)	(0.5)
In percent of GDP						
Public Sector						
Total revenue	21.6	22.0	22.9	22.8	23.0	...
Current expenditure	21.3	21.1	21.1	19.9	20.4	...
Capital expenditure and net lending	6.2	6.9	5.1	4.9	3.2	...
Primary balance	(2.7)	(2.6)	0.2	1.3	2.8	...
Overall balance	(5.9)	(6.0)	(3.3)	(2.1)	(0.5)	...
General government gross debt	74.5	77.2	78.1	77.8	82.9	85.6
In millions of EC dollars						
Memo						
Nominal GDP at market value /1	3,879.4	4,022.8	4,190.2	4,452.7	4,501.1	4,632.3
St. Vincent and the Grenadines						
Annual percentage change unless otherwise indicated						
Real Sector						
Real GDP	1.4	1.8	1.0	1.8	1.3	0.8
Nominal GDP	2.5	4.1	0.6	4.3	1.2	2.3
Consumer prices (end of period)	1.0	-	0.1	(2.1)	1.0	...
Consumer prices (period average)	2.6	0.8	0.2	(1.7)	(0.2)	...
Annual percentage change unless otherwise indicated						
External Sector						
Exports of goods and services	1.4	(2.8)	3.9	12.5	1.5	0.1
Imports of goods and services	5.9	7.1	1.2	7.4	7.8	(2.1)
Current account (percent of GDP)	(27.6)	(30.9)	(25.7)	(14.9)	(15.8)	(14.7)
In percent of GDP						
Public Sector						
Total revenue	27.0	26.9	29.4	28.0	30.5	...
Current expenditure	26.1	25.2	26.0	25.1	25.3	...
Capital expenditure and net lending	2.9	7.8	5.5	4.2	3.4	...
Primary balance	0.3	(3.7)	0.3	2.0	3.8	...
Overall balance	(2.1)	(6.2)	(2.1)	(0.2)	1.8	...
General government gross debt	72.5	75.0	79.5	79.4	82.9	78.4
In millions of EC dollars						
Memo						
Nominal GDP at market value	1,870.9	1,947.3	1,958.6	2,042.8	2,066.4	2,114.0

Sources: Eastern Caribbean Central Bank; and International Monetary Fund, *World Economic Outlook* (October 2017).
Notes: (R) – Revised; (P) – Projections.
[1] Nominal GDP at market value figures corrected from the June 2017 Quarterly Bulletin.



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