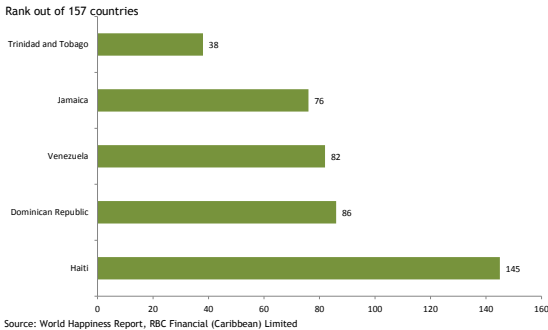


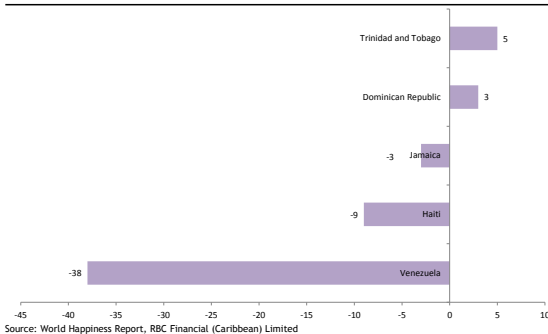
CARIBBEAN ECONOMIC REPORT

April 2017

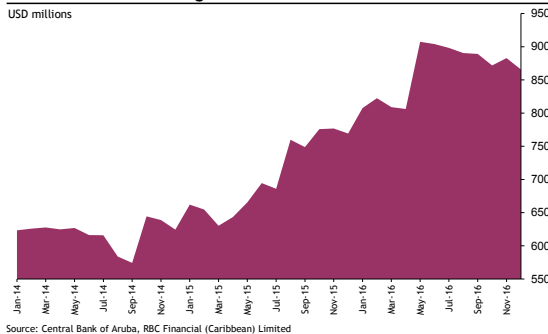
World Happiness Index 2017 : Caribbean and Venezuela



Change in World Happiness 2017 Rank : Caribbean and Venezuela



Central Bank Net Foreign Assets : Aruba



Marla Dukharan
 Group Economist
 RBC Caribbean
 (868) 688-9845
marla.dukharan@rbc.com

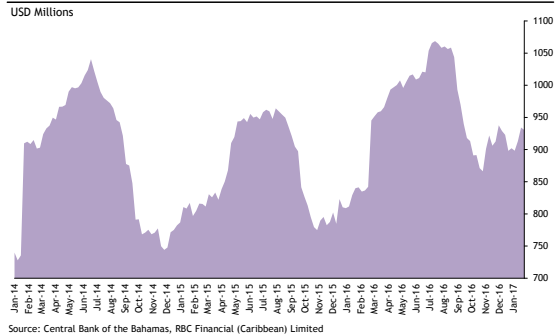
Happiness—A Better Measure of Prosperity?

The 2017 edition of the World Happiness Report highlighted the growing global acceptance of happiness as the appropriate measure of social progress, and the ultimate goal of public policy. Most notably, in June 2016, the OECD committed itself “to redefine the growth narrative to put people’s well-being at the centre of governments’ efforts”. The head of the UNDP stressed the link between the emphasis on happiness and achieving the sustainable development goals, rather than the existing “tyranny of GDP” which ignores the quality of growth. The wide variation across individuals’ happiness is mostly explained by economic variables (such as income and employment), social factors (such as education and family life), and health (mental more so than physical). Western societies saw mental health as a more important determinant of happiness than income, employment, or physical health. The best predictors of a child’s emotional health and behaviour are the mental health of a child’s mother, and the social ambiance of the child’s school. Not surprisingly, employed persons evaluate the quality of their lives much more favorably than the unemployed, but manual labor is systematically correlated with lower levels of happiness. Only four Caribbean countries appear on the 2014-16 index—the Dominican Republic, Haiti, Jamaica and Trinidad and Tobago. Unbelievably, the first two are ranked lower than Venezuela on the 2014-16 index, even though Venezuela posted the world’s biggest decline in happiness, tumbling 38 spots to 82nd out of 157 countries. According to the report, “on average, the countries of Latin America still have mean life evaluations that are higher than predicted by the model, and is deemed to represent systematic personality differences, some unique features of family and social life in Latin countries, or some other cultural differences”.

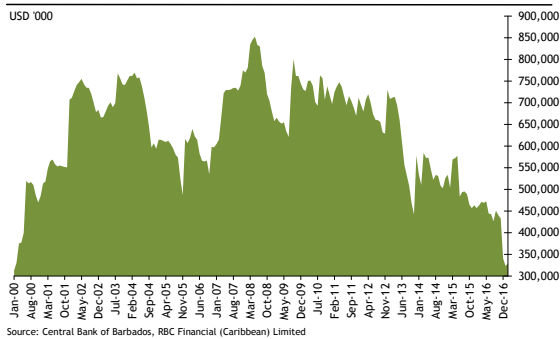
Aruba – Reserves expand despite declining stopovers

[Caribbean Tourism Organization](#) (CTO) data show stopover arrivals fell 10% in 2016, as 4.8% fewer Canadians, and according to the Central Bank (CBA), 40.4% fewer Venezuelans, visited Aruba. Cruise passenger arrivals grew 8.1% in 2016, CTO data show. The CBA reported that deflation deepened to 0.4% y/y in January 2017 based mainly on lower electricity prices, although the hospitality sector registered price increases, despite a 14.2% y/y decline in stopover arrivals in January, as 68.2% fewer Venezuelans visited. Cruise passenger arrivals fell 11.6% y/y in January 2017, according to the CBA. CBA official reserves expanded 8.26% y/y to USD874.33 million in January 2017, which we estimate at 4.9 months of imports.

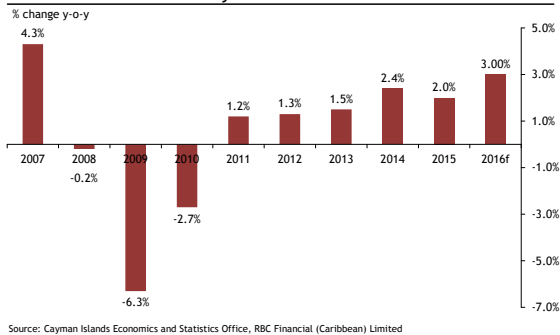
Central Bank External Reserves : The Bahamas



International Reserves : Barbados



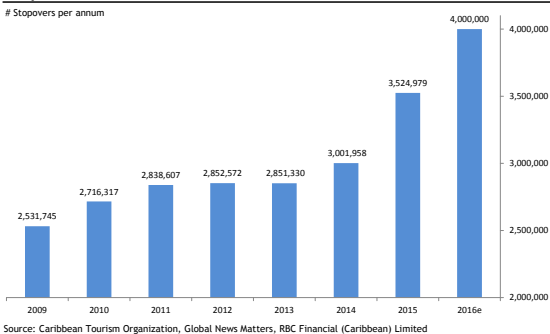
Real GDP Growth : The Cayman Islands



Net Foreign Assets : Cayman Islands



Stopover Arrivals : Cuba



The Bahamas – Reserves up 10.5% y/y in January 2017

Central Bank (BCB) Q4 2016 report has quantified the impact of hurricane Matthew on certain sectors. Construction activity and related employment strengthened since October 2016, but otherwise, deterioration was recorded. The fiscal deficit widened in Q2 FY2016/17 by 168.6% y/y to BSD228.3 million, BSD130 million of which was financed via a special syndicated hurricane relief loan. Airport passenger traffic fell 3.4% y/y in Q4 2016. External reserves expanded 10.5% y/y in January 2017 to USD930.54 million, which we estimate at 2.3 months of imports.

Barbados – Reserves fall 29% y/y in February 2017

Central Bank (CBB) data show reserves fell by 29% y/y to USD329 million in February 2017, which we estimate at roughly two months of imports. This is the fastest pace of decline since November 2013, and the 21st consecutive month of falling reserves, partly due to the domestic monetary base expanding 18% y/y in February 2017 to BBD2.35 billion—twice what it was in June 2014. CBB holding of Government debt grew 47% y/y in February 2017 to BBD2.02 billion or 72% of CBB total assets—more than twice the level it stood at in May 2015—and up from 56% of total assets one year prior.

Cayman Islands – Growth estimated at 2.5% in Q3 2016

The Economics and Statistics Office (ESO) estimates growth in Q3 2016 at 2.5% y/y, bringing annualized growth for Jan-Sept 2016 to 2.8% y/y, and has therefore maintained its 3% growth forecast for 2016. The number of work permits in issue declined by 1.3% q/q to 23,104 in Q3 2016—the first q/q decline since Q4 2013. Net foreign assets of the Monetary Authority stood at KYD115.4 million in Q3 2016, which we estimate at roughly 1.8 months of merchandise imports—admittedly a measure with limited relevance in this heavily dollarized economy, especially since net foreign assets of the commercial banks stood at KYD3.689 billion in Q3 2016. Inflation reached 0.6% y/y in Q4 2016, ESO data show. The fiscal surplus widened for the fourth consecutive year, by 7% y/y in Q3 2016 to KYD112.5 million. As such, government debt continued to decline, by 3.8% y/y to KYD498.7 million in Q3 2016. Moody's therefore maintained its Aa3 rating and stable outlook, citing improving debt metrics, a strong institutional framework, and fiscal surpluses expected to average 1.8% of GDP in 2017-2018. CTO reported no change in the level of stopover arrivals in 2016, but a 3.5% y/y decline in January 2017, based on fewer visitors from the USA, Canada and Europe. Cruise passenger arrivals also fell, by 7.7% y/y in January 2017.

Cuba – Survey shows dissatisfaction with the economy

[The Caribbean Council](#) highlighted a University of Chicago [survey](#) which showed that 51% of Cubans cite crime as the most serious problem, versus 41% who cite poverty, while 46% say the economy is poor or very poor.

Curacao and Sint Maarten – Policy rates being hiked

The Central Bank has increased its policy rate to 1.50%, up from 1% where it had held since December 2008, based partly on rising rates in the USA. Reserves expanded by 2.1% y/y in February to Naf2.184 billion, which we estimate at over six months of imports for the currency union overall. CTO data show that stopover arrivals to Curacao declined by 5.8% in 2016, based on fewer visitors from all major source markets apart from Europe. Cruise passenger arrivals declined 11.3% in Curacao and 12.2% in St. Maarten in 2016.

Dominican Republic—Inflation jumps, growth to ease

Central Bank (BCRD) reported that growth reached 6.6% in 2016, and is expected to moderate to 5.5% in 2017. Inflation accelerated to 3.34% y/y in February 2017, up from 2.33% y/y in January, and is projected to reach the target of 4% ± 1% in H1 2017. The IMF reported that while growth has averaged 7% since 2014, it is now tapering towards potential. Public debt reached an estimated 49.7% of GDP, with a consolidated public sector deficit of 4.3% of GDP in 2016. The IMF expects growth to average 5% from 2017 onward.

Guyana – Oil production by 2020, growth to increase

Central Bank (BoG) reported that reserves declined 3.57% y/y in January 2017 to USD598.9 million, estimated by the IMF at roughly 3.5 months of imports. The monthly average market exchange rate depreciated for a 17th consecutive month, by 0.68% y/y in January 2017, to average GYD211.38/USD1.00. The IMF reported growth at 3.3% in 2016, based mainly on higher gold output, as non-mining GDP contracted. Growth of 3.5% is expected by the IMF in 2017, driven by higher public investment, expansion in the extractive industries, and a recovery in rice production. Inflation is expected to increase from 1.5% at end-2016 to 2.5% by end-2017.

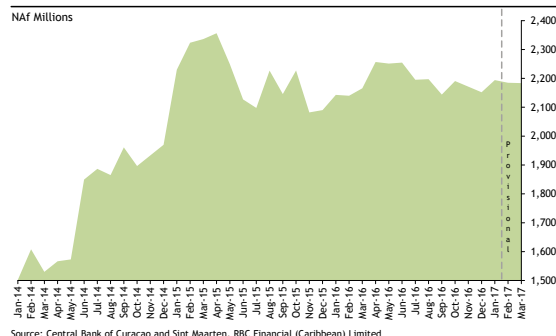
Jamaica – JMD appreciating on a month on month basis

Central Bank (BoJ) data show the JMD depreciating 5.25% y/y to average JMD128.07/USD1.00 in February 2017, but this is the third consecutive month of appreciation from the all-time high of JMD129.07 in November 2016. Reserves grew 15.22% y/y in February 2017 to reach 21.6 weeks of imports. The IMF recently reported that Jamaica has recorded seven consecutive quarters of positive growth, (projected to reach 1.7% in FY2016/17 and 2.1% in FY2017/18) and tax revenues and reserves have exceeded expectations.

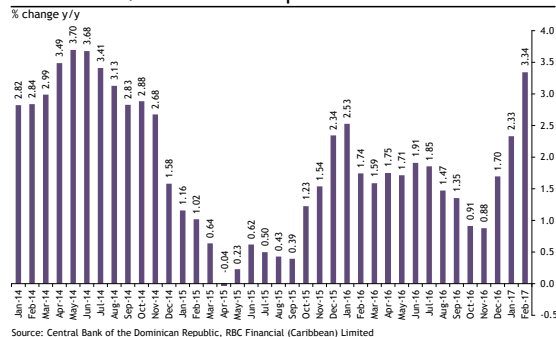
Suriname— Foreign reserves expand, inflation slows

Central Bank (CBvS) data show that inflation has been slowing, down from the October 2016 peak of 79.2% to 45.1% in February 2017. The level of foreign reserves expanded for the fourth consecutive month, by 29.12% y/y in January 2017 to USD398.6 million, which we estimate at 2.3 months of imports. The economy is estimated by the CBvS to have contracted by 10.4% in 2016, following a 2.7% contraction in 2015.

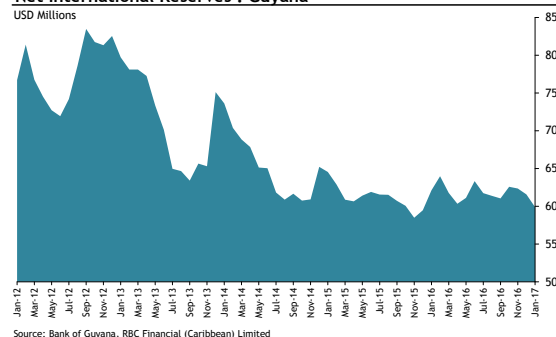
Net Official Reserves : Curacao and Sint Maarten



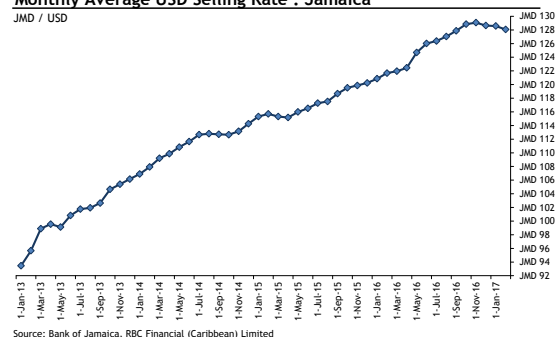
Inflation Rate : The Dominican Republic



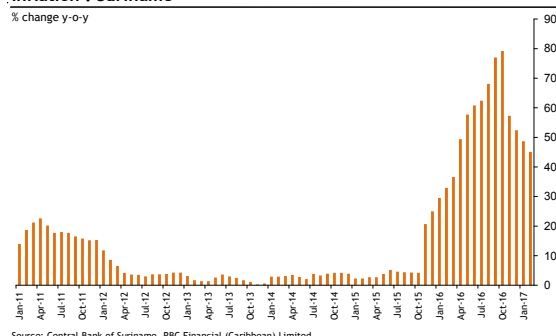
Net International Reserves : Guyana

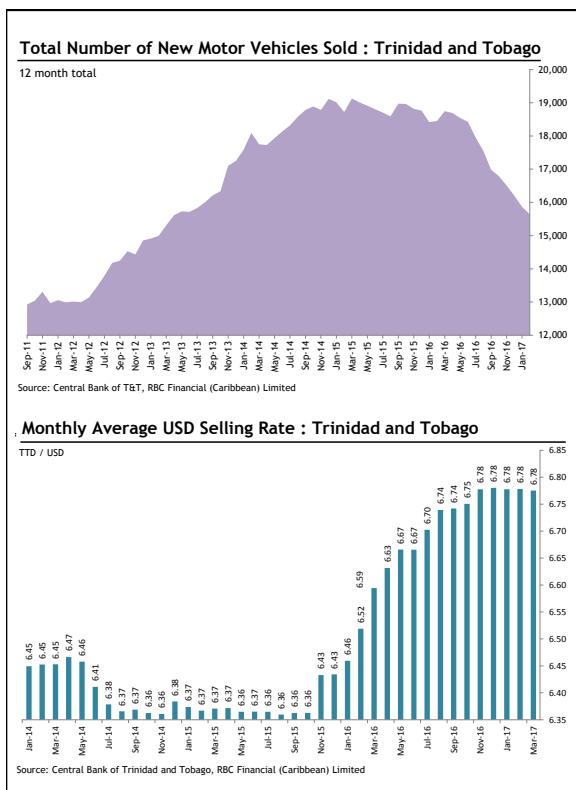


Monthly Average USD Selling Rate : Jamaica



Inflation : Suriname





T&T – Economic contraction of 10.8% in Q3 2016

The Central Bank (CBTT) has held the policy rate steady at 4.75% since January 2016, given moderate inflation, which has increased for three consecutive months, from 2.6% in October 2016, to 3.6% in January 2017. Credit to the private sector grew 1.9% y/y in January 2017—the slowest pace since January 2013—while credit to businesses fell 2% y/y. Economic contraction is estimated by the CBTT at 10.8% y/y in Q3 2016—the eighth consecutive quarter of y/y contraction, while the Central Statistical Office is estimating the overall contraction in 2016 at 2.3% - the third consecutive year of economic decline. In FY2015/16, the fiscal deficit is estimated to have reached TTD7.3 billion or 5% of GDP, up from the TTD2.8 billion budgeted, and TTD2.7 billion or 1.8% of GDP realized in FY2014/15. Domestic productivity fell by 3.7% y/y in Q4 2016. The CBTT has restated the data on foreign reserves to include its position at the IMF. As such, reserves in August 2016 for example, are now USD187.5 million or 0.2 months of imports higher. Reserves fell 6.5% y/y in February 2017 to USD9.089 billion, or 10.1 months of imports. The TTD depreciated by 2.74% y/y to average TTD6.7754 in March 2017. CBTT USD injections fell 9.62% y/y to USD2.002 billion for the 12 months to March 2017.

Caribbean Economic Indicators

	Popl'n (000)	Nominal		Credit Rating & (outlook)	GDP		Import		Inflation y/y
		GDP (USD Billions)	Per capita GDP (USD)		change y/y	Unemplo yment	Gross Public Debt / GDP	cover (months)	
Aruba	107	2.8	24,402	BBB+ (Positive)	-1.6%	7.6%	80.1%	4.9	-0.4%
The Bahamas	347	8.5	22,754	BB+ (Stable)	-1.7%	11.6%	85.0%	2.3	-0.4%
Barbados	274	4.5	16,307	B- (Negative)	1.6%	10.0%	156.6%	2.0	-0.8%
Cayman	58	3.6	54,338	Aa3 (Stable)	2.5%	3.9%	17.0%	1.8	0.6%
Cuba	11,300	77.1	6,848	Caa2 (Positive)	-0.9%	3.0%	22.3%	n/a	1.2%
Curacao	143	3.0	20,260	A- (Stable)	0.0%	11.7%	45.6%	6.1	-0.4%
Dom Rep	10,400	60.8	7,000	BB- (Stable)	6.6%	5.7%	50.0%	3.9	3.3%
ECCU	637	5.2	8,163	n/a	2.6%	20.0%	76.0%	5.4	-1.8%
Guyana	756	2.7	3,596	Not rated	3.3%	11.0%	49.0%	3.5	1.5%
Jamaica	2,751	15.3	5,526	B (Stable)	1.5%	12.9%	120.0%	5.0	1.7%
St. Maarten	43	0.8	26,025	Baa2 (Stable)	0.1%	8.9%	36.5%	6.1	-0.2%
Suriname	541	5.1	5,000	B1 (Stable)	-10.4%	9.0%	47.5%	2.3	45.1%
T&T	1,400	23.8	17,935	A- (Negative)	-10.8%	4.4%	82.4%	10.1	3.6%

Disclaimer: The material contained in this document is the property of RBC Financial (Caribbean) Limited ("RBC Caribbean") and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. This document is intended as a general source of information only, and should not be construed as offering specific tax, legal, financial, investment or other advice, and should not be acted or relied upon in that regard without seeking the advice of a professional. It also does not constitute an offer to sell or a solicitation to buy securities. The statements and statistics contained herein have been prepared by RBC Caribbean based on information and sources considered to be reliable. Every effort has been made to ensure that the material is correct at time of publication, but RBC Caribbean makes no representation or warranty, express or implied, as to its accuracy or completeness. Interest rates, market conditions, tax rulings and other investment factors are subject to rapid change. Individuals should consult with their personal tax advisor, accountant or legal or other professional before taking any action based upon the information contained in this document.