

## CARIBBEAN ECONOMIC REPORT

December 2016

### Caribbean Growth Projections for 2017

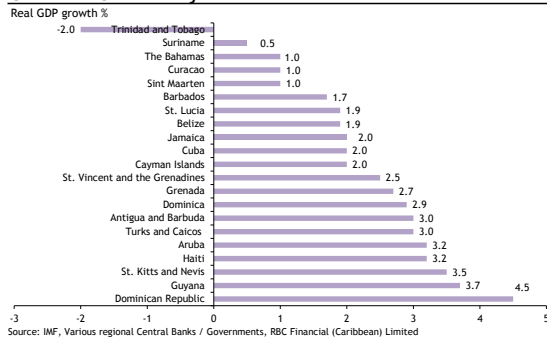
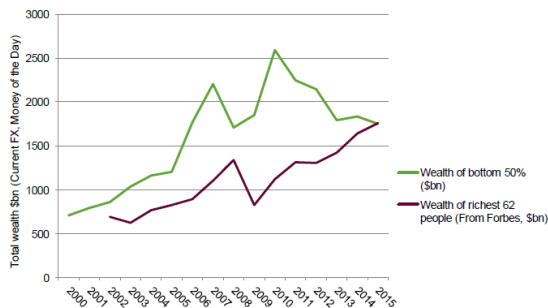
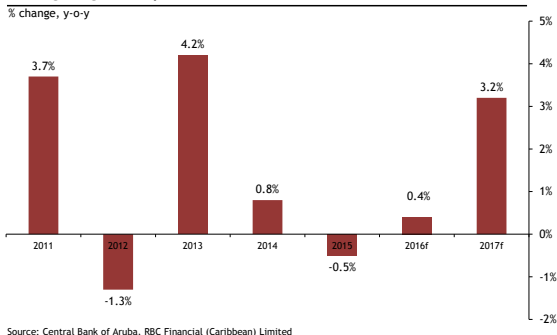


Figure: The wealth of the richest 62 individuals continues to grow, while that of the poorest half of the world stagnates<sup>4</sup>



### Real GDP Growth : Aruba



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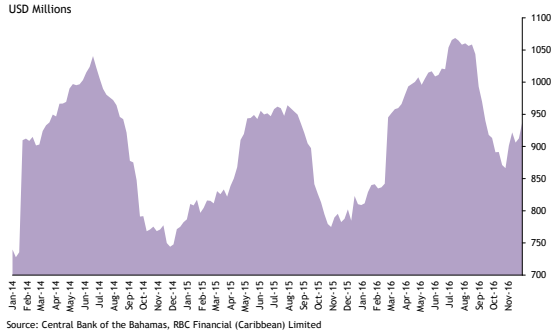
## Prepare for Disruption and Surprises in 2017

The end of 2016 would probably go down as one of the most eagerly anticipated events in recent memory, and with good reason—so much in 2016 just didn't make sense. What happened? Did the majority of us become xenophobic victims of automation and globalization overnight? Sounds ridiculous, so what explains the almost unanimous and apparently indiscriminate global push for change? What made the status-quo suddenly so intolerable? Do we have an accurate diagnosis of our condition? Does it even matter, or are we content to ascribe our symptoms to ailments proffered by lobbyists and politicians with agendas? Are we anxious because the world is experiencing its third year of progressively slower growth, and the lowest since the Global Financial Crisis (GFC)? What if Unconventional Monetary Policy (in response to the GFC) of near-zero or negative interest rates in the developed world has backfired, by damaging middle-class confidence, and by extension spending, thereby dampening growth? What if Quantitative Easing and unprecedented money printing (in response to the GFC) largely ended up inflating asset prices, thereby amplifying wealth inequality, such that the world's richest 1% now own more than the rest of the world combined (Oxfam, 2016)? What if this was not just the unfortunate but unintended consequence of the policy response to the GFC? How could the policymakers not know, despite having empirical evidence, that trickle down economics doesn't work in reality—that rising incomes for the world's wealthiest 20% results in lower global growth (IMF, 2015)? Could these unacceptable levels of inequality be the underlying cause of 2016's political 'upsets'? Will policymakers now decisively address this inequality crisis which feeds instability and suppresses growth, ultimately affecting everyone, including the 1%? Or will events in 2017 and beyond, in an evidently 'post-truth' world, continue to be unduly shaped by opportunistic propagandists feeding off our collective emotional response to (conveniently misdiagnosed) obscene levels of inequality? Either way, 2017 is likely to favour those promising change, even if they can't or won't deliver.

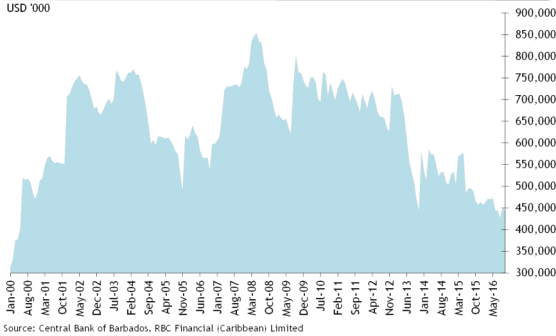
## Aruba – Stronger growth possible in 2017

The Central Bank (CBA) announced an economic contraction of 1.6% in H1 2016 on weaker tourism and investment, but stronger growth is possible when the refinery reopens. [Caribbean Tourism Organization](#) (CTO) data show stopover arrivals dropped 7% y/y to October 2016, driven by lower numbers from Canada and 'other' markets, as CBA reported a 31% y/y drop in stopovers from Venezuela over the same period.

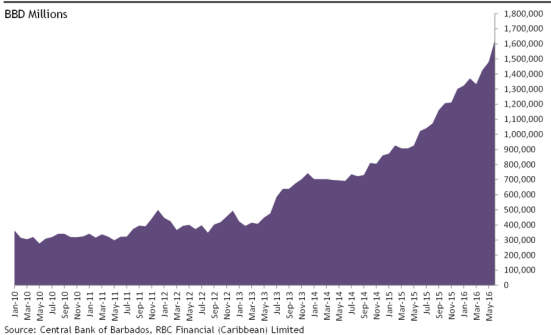
### Central Bank External Reserves : The Bahamas



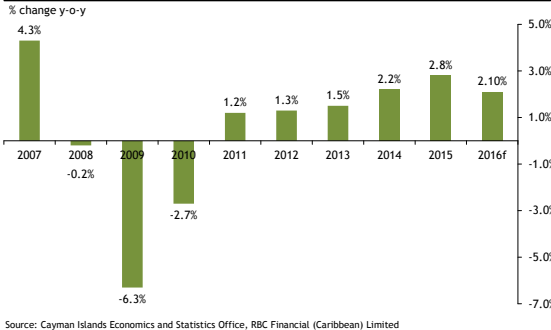
### International Reserves : Barbados



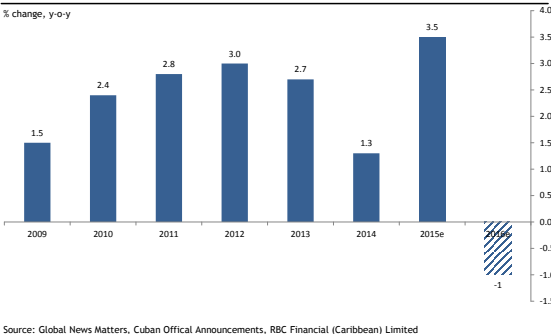
### Central Bank Total Claims on Central Government : Barbados



### Real GDP Growth : The Cayman Islands



### Real GDP Growth : Cuba



## The Bahamas – No longer investment grade by S&P

Central Bank (BCB) foreign reserves grew 17% y/y in November 2016 to USD938 million, which we estimate at 2.3 months of imports. [CTO](#) data show stopover arrivals expanded 2.8% y/y to July 2016, as 13.4% fewer Canadians visited. BCB Net Claims on Government expanded by 35% for the first nine months of 2016 to BDS669 million, mainly via increased holdings of treasury bills and registered stock. S&P lowered their rating to BB+ citing slower than planned fiscal consolidation, and low growth; 1.7% contraction in 2015, 0.3% estimated for 2016, 1% expected in 2017, 1.2% in 2018, and 1.5% in 2019.

## Barbados – Debt accumulation continues unabated

Government recently raised its borrowing limit by BBD1 billion to BBD7.5 billion, or roughly 110% of GDP. According to the Central Bank (CBB), gross domestic government debt had already reached BBD6.85 billion in September 2016. The CBB has now announced the issue of a BBD100 million Treasury Note with a coupon of 6.5% maturing in 2025. According to the IMF, total public sector debt including holdings by NIS, had reached 156.6% of GDP in FY2015/16. Arrears are further estimated by the IMF at roughly 11.4% of GDP - bringing total obligations to 168% of GDP. CBB holdings of Government debt expanded 55.5% y/y to BBD1.877 billion or 65% of CBB's total assets in October 2016. The IMF estimates that Government debt accounts for 74% of NIS assets, and that NIS expenditure began to exceed contributions in 2013, rather than in 2024 as estimated in the 14th Actuarial Review. Also, since 2014, the NIS has faced late contribution payments from the public sector, according to the IMF. [CTO](#) data show stopover arrivals increased 5.8% y/y to September 2016, driven by more visitors coming from all major source markets. The CBB expects growth to reach 1.4% in 2016, while the IMF is expecting 1.7% growth in 2016 and 2017.

## Cayman Islands – 2015 growth confirmed at 2.8%

According to [CTO](#) data, stopover arrivals grew 0.1% y/y to October 2016, as fewer visitors came from all major source markets apart from the USA. The Economics and Statistics Office (ESO) reported that inflation turned positive to 0.5% y/y in Q3 2016 following six quarters of deflation. The ESO also confirmed the 2015 growth rate at 2.8% - the highest since 2007—as every sector of the economy expanded. The ESO earlier forecasted 2017 growth at 2.1%.

## Cuba – first contraction recorded in over two decades

[CTO](#) data show stopover arrivals grew 11.7% y/y to August 2016, although visitors from Canada fell 4.3%. As of December 20th, a Turkish airline is operating three weekly Boeing 777 flights from Istanbul to Havana, then onto Caracas. The economy is estimated to have contracted by close to 1% in 2016, as Venezuela's support has dwindled. The Cuban economy has not contracted since 1993, when the Soviet Union collapsed. The authorities estimate the cost of the US embargo at USD126 billion, including USD4.6 billion in 2015.

## Curacao and Sint Maarten – Almost zero growth in 2016

[CTO](#) data show Curacao stopover arrivals declining 3.2% y/y to October 2016, while St. Maarten experienced 5.5% y/y stopover arrival growth to August 2016. Curacao received less 2.6% less tourists from the USA and 9% less from ‘other’ markets, while St. Maarten received 32.4% less tourists from ‘other’ markets, [CTO](#) data show. Ending many months of uncertainty, a new coalition Government has been established in Curacao. The Central Bank reported that Curacao’s economy is expected to record zero growth in 2016, following a 0.3% expansion last year, based on spillover effects from Venezuela, weaker revenues mainly from tourism (hotels and restaurants), and oil refining and bunkering. Growth is projected to reach 0.4% in 2017. Growth in St. Maarten is estimated at 0.1% in 2016, down from 0.4% in 2015, as construction weakened, and cruise tourism activity dropped markedly, possibly partly due to fears about the Zika virus. Growth is expected to recover slightly to 0.5% in 2017 in St. Maarten. Import cover improved from 4.4 months in December 2015 to 4.7 months in October 2016, based mainly on foreign borrowings.

## Dominican Republic—Growth of 6-6.5% in 2016

[CTO](#) data show stopover arrivals grew 7.1% y/y to October 2016, as higher numbers came from all major source markets. Based on disinflation and other factors, the Central Bank (BCRD) left its policy rate unchanged at 5.5% at its November 30th 2016 meeting. Despite the effects of recent floods, the BCRD estimates growth at 6-6.5% in 2016, while the IMF is projecting 4.5% growth in 2017.

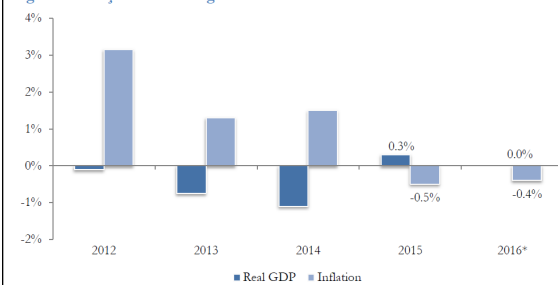
## Guyana – Growth expected at 2.6% in 2016

In Q3 2016, the Central Bank (BoG) reported that CARICOM currency transactions increased by 43.9% y/y to USD20 million; 46.2% for BBD, 40.5% for TTD, and 13% for XCD. The amount of TTD in circulation increased from TTD9.1 million and BBD8 million in 2014, to TTD38 million and BBD13 million currently, prompting the BoG to temporarily suspend purchases of BBD and TTD from local cambios. Foreign reserves expanded 6.62% y/y in November 2016 to USD623.5 million, which we estimate at 4.13 months of imports. The BoG expects growth at 2.6% in 2016 and 3.7% in 2017 based largely on mining.

## Jamaica – Growth to strengthen from 1.7% to 2%

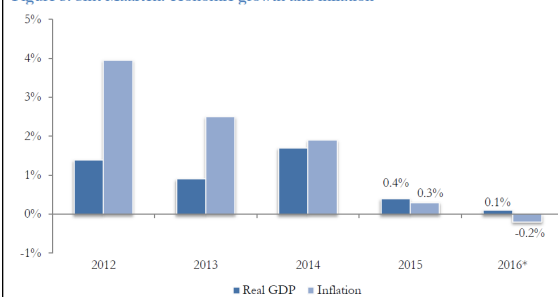
Stopover arrivals expanded 2.4% y/y to October 2016, driven by higher numbers from all source markets apart from Canada, [CTO](#) data show. The Government recently signed an MoU with AirBnB, which has over 2,300 active hosts and 4,000 active listings in Jamaica. Central Bank (BoJ) data show the JMD depreciated 7.68% y/y in November 2016 to average JMD129.07/USD1.00. International reserves expanded 9% y/y in November 2016 to reach USD2.56 billion or 4.7 months of imports. The IMF expects growth at 2% in FY2017/18, up from 1.7% in FY2016/17, driven mainly by various reforms and initiatives in the energy, manufacturing, agriculture, and tourism sectors.

Figure 1. Curacao: economic growth and inflation



\*2016 is projection of the CBCS.

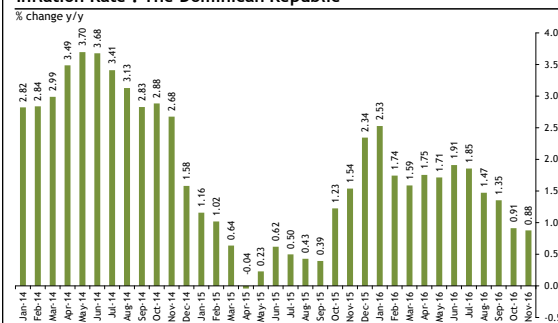
Figure 3. Sint Maarten: economic growth and inflation



\*2016 is projection of the CBCS.

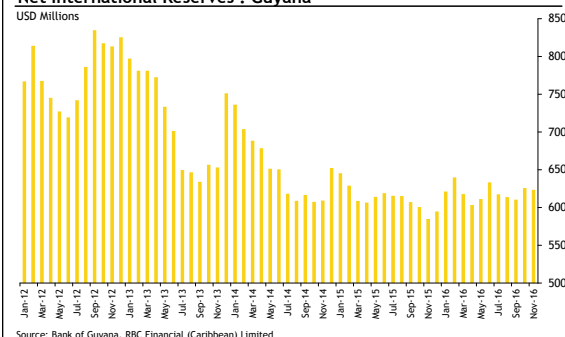
Source : Central Bank of Curacao and Sint Maarten

## Inflation Rate : The Dominican Republic



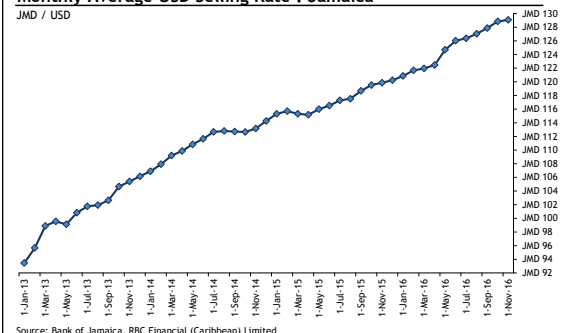
Source: Central Bank of the Dominican Republic, RBC Financial (Caribbean) Limited

## Net International Reserves : Guyana

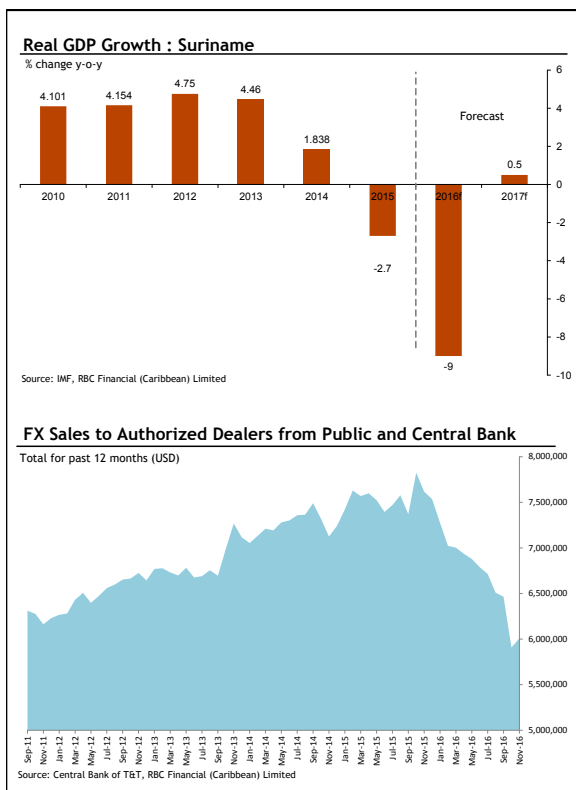


Source: Bank of Guyana, RBC Financial (Caribbean) Limited

## Monthly Average USD Selling Rate : Jamaica



Source: Bank of Jamaica, RBC Financial (Caribbean) Limited



## Suriname—9% contraction in 2016, 0.5% growth in 2017

Central Bank data show international reserves increased 9.63% y/y to USD394 million in November 2016, which we estimate at 2.1 months of imports. The IMF expects the economy to contract by 9% in 2016, and growth to return in 2017 at 0.5%, depending on several reforms and initiatives.

## T&T – IMF expects growth of 2.3% in 2017

Central Bank (CBTT) data show official reserves declined 0.9% y/y to USD9.544 billion or 10.6 months of imports in November 2016. Total FX sales to authorized dealers from the CBTT and the public for November 2016 YTD, reached USD5.456 billion—down 22% y/y or USD1.528 billion. Injections from the CBTT alone totaled USD1.582 billion over this period—down 38% y/y. The TTD depreciated by 5.35% y/y in November 2016, to average TTD6.77/USD1.00. Disinflation brought the inflation rate down to 2.6% in October 2016 from 3% in September. The IMF estimates that the economy contracted by 1% in 2014, 2.14% in 2015 and 2.75% in 2016, but forecasts growth at 2.3% in 2017. The CBTT estimates contraction at 6.7% in H1 2016, and we expect an overall contraction of 6% in 2016, and 2% in 2017.

## Caribbean Economic Indicators

		Nominal			GDP			Import	
	Popl'n	GDP (USD	Per capita	Credit Rating	change	Unemplo	Gross Public	cover	Inflation
	(000)	Billions)	GDP (USD)	& (outlook)	y/y	yment	Debt / GDP	(months)	y/y
Aruba	107	2.8	24,402	BBB+ (Positive)	-1.6%	7.6%	80.1%	4.8	-0.1%
The Bahamas	347	8.5	22,754	BB+ (Stable)	-1.7%	11.6%	85.0%	2.3	-0.1%
Barbados	274	4.5	16,307	B- (Negative)	1.3%	10.2%	156.6%	2.6	-1.2%
Cayman	58	3.0	54,338	Aa3 (Stable)	2.4%	3.9%	21.0%	n/a	0.5%
Cuba	11,300	77.1	6,848	Caa2 (Positive)	-1.0%	3.0%	22.3%	n/a	1.2%
Curacao	143	3.0	20,260	A- (Stable)	0.0%	11.7%	45.6%	4.7	-0.4%
Dom Rep	10,400	60.8	7,000	BB- (Stable)	6.9%	5.7%	48.5%	3.5	0.9%
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	2.0%	11.0%	49.0%	4.1	1.1%
Jamaica	2,751	15.3	5,526	B (Stable)	1.5%	13.7%	120.0%	4.9	1.9%
St. Maarten	43	0.8	26,025	Baa2 (Stable)	0.1%	8.9%	36.5%	4.7	-0.2%
Suriname	541	5.1	9,339	B1 (Stable)	-2.7%	9.0%	47.5%	2.1	77.1%
T&T	1,328	23.8	17,935	A- (Negative)	-6.7%	4.4%	75.5%	10.6	2.6%

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