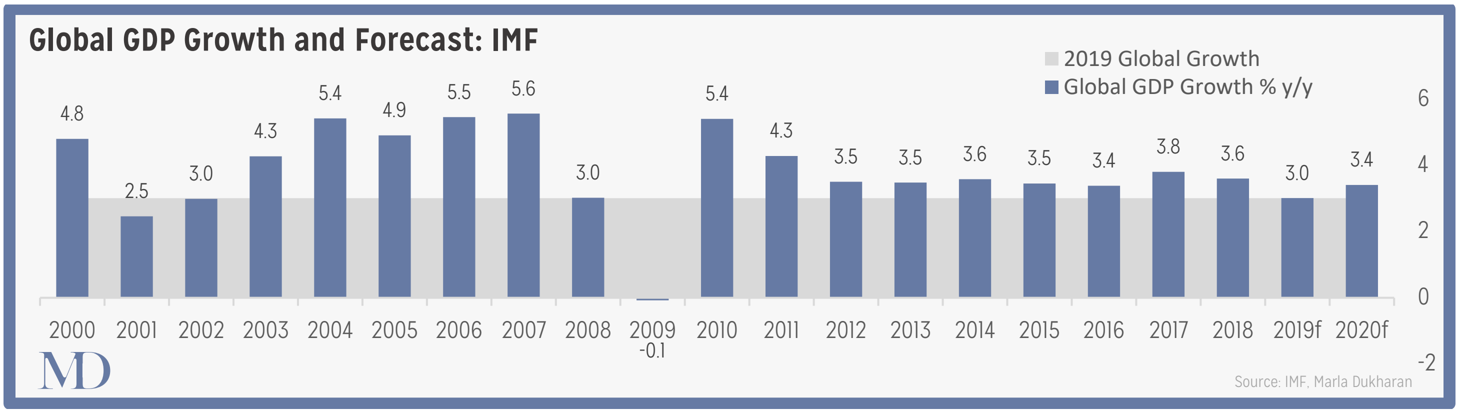
CRISIS FATIGUE - SYNCHRONIZED SLOWDOWN OR THE GREAT STAGNATION?

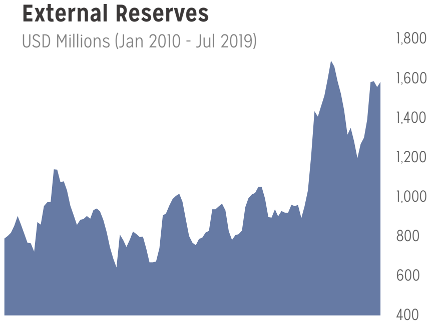
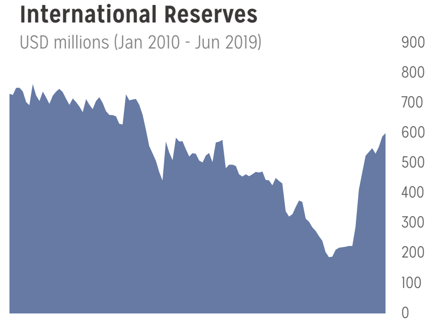
Did you know that global growth below 3% is considered a global recession by the IMF? And that the IMF cut its global growth projection for 2019 to 3% in October, but stopped short of calling the current global economic climate a recession (perhaps in an effort to avoid a self-fulfilling prophecy), instead opting for the non-committal "synchronized slowdown"?

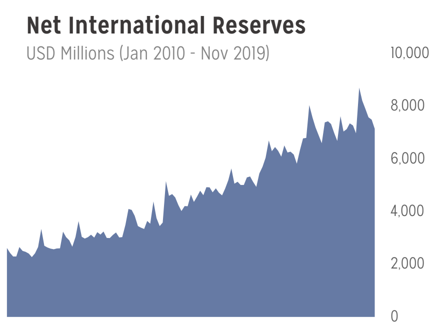
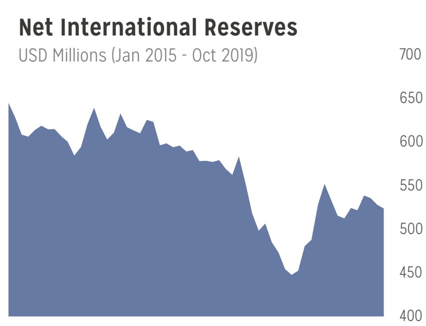
In any event, for a global recession followed by a decade of weak and declining growth, "global stagnation" is more apt. Such was the depth, breadth, and severity of the Global Financial Crisis (GFC) / Great Recession, that it elicited probably the most intense and coordinated global policy response ever, ushering in an era of Unconventional Monetary Policies (UMPs, aka printing), which in some form persists today (given the relatively muted growth effect). Why then, have we not seen even an acknowledgment from world leaders and multilateral institutions, that there is a crisis in the first place, let alone a synchronized policy response of any magnitude?



The growth whipsaw of the 2008-09 Great Recession as seen in the chart above, belies the obvious endurance of that crisis' malignancy - not to mention its shape shifting, which perhaps has infected our policymakers with crisis fatigue, or maybe even (willful?) crisis blindness. What if the appropriate policy response is not yet known, precluding any public admission of the crisis' existence? The underlying causes of today's economic malaise include, but are much more complex and geographically dispersed than its initial trigger, and the (largely experimental) policy response to the GFC (UMPs), intended to kickstart growth by driving investment and consumption via credit expansion, instead inflated asset prices (owned mainly by the already-rich, coincidentally?), spawning the obscene levels of inequality, which ultimately underpinned unbelievable political upsets globally.

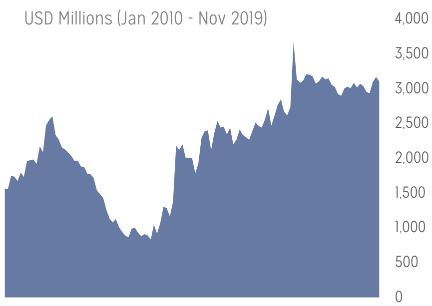
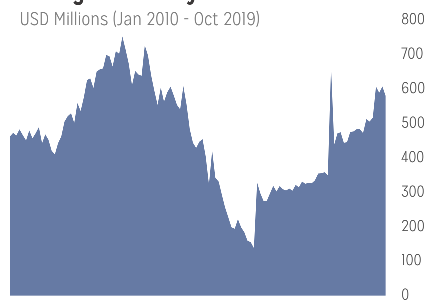
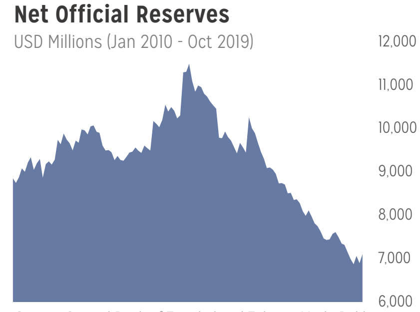
The consequential surge of insularity, and the concomitant retreat in multilateralism in and of itself fuels this global stagnation, and the de facto denial of its very existence. Absent the necessary synchronized (again, experimental) policy response, this Great Stagnation will be our new normal in the next decade, characterized by more geopolitical posturing and tensions, recessionary levels of international trade, investment and therefore growth, the certainty of chronic uncertainty, and persistent inequality and poverty, all of which create the feedback mechanism to feed this loop, until it snaps. Which it will, at some point - perhaps when electorates worldwide wake up to the failure of the far-everything, and moderation becomes the new extremism.

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	In spite of the effects of Hurricane Dorian particularly on Abaco and Grand Bahama, tourism metrics showed positive signs in October. Nassau departures rose 14.2% y/y for the first 10 months of 2019, with USA arrivals up 15.5% y/y. Inflation has begun to decline, falling to 2.9% in August as the base effects of the 2018 VAT increase wear off. In Q1 of this fiscal year, VAT revenue grew 33% y/y and proceeds from the CCRIF helped boost revenue by 8% y/y. Capital spending, largely related to Hurricane Dorian recovery efforts, rose 43% y/y. Non-performing loans fell to 8.3% of total loans in October while provisions were increased to 92.8% of non-performing loans in anticipation of Hurricane Dorian-related deterioration. Construction related to ongoing FDI and hurricane recovery will continue to support growth. Social spending and capital investment to rebuild infrastructure, is expected to place short-term pressures on public finances, with domestic and international borrowing expected to increase to finance a wider deficit.	S&P issued an upgrade from SD to B- with a stable outlook based on the conclusion of the external debt restructure, which included a 26% haircut on principal and accrued interest, supporting an 80% debt/GDP target by 2027/2028. The IMF concluded its Article IV consultation and 2nd review under the BERT program, enabling an immediate disbursement of USD48 million, based on strong implementation and all targets being met. The primary surplus target of 6% of GDP is expected to be achieved at the end of FY2019/2020. International reserves increased from USD220 million in May 2018 to over USD600 million at end-October 2019. Economic activity declined 0.2% y/y in Jan-Sept 2019, with gains in tourism eroded by lower public capital spending and delayed private investments. Lending to the private sector declined 0.9% y/y in the first 9 months of 2019, underscoring weak activity in construction, manufacturing and agri-culture. The unemployment rate increased by 1.6 p.p. y/y to 10.8% in September 2019.	The biggest budget in Cayman's history was recently passed, with projected operating revenues of KYD825 million and KYD849 million in 2020 and 2021 respectively, all with no new taxes. The nation's net worth will reach KYD1.6 billion (USD1.92 billion) by 2021, while the fiscal surplus stands at 4.4% of GDP. Revenue targets were surpassed as a result of stronger than expected economic perfor-mance, and growth is now expected to average 2.2% in 2020-2021. The unemploy-ment rate stood at 3.0% in Fall 2019, and is expected to will remain below 3.6% through 2021. Duty and fee concessions will remain in place on fuel for CUC power generation, imported building materials, and trade & business fees for new licensees. Stamp duty exemption for first-time home buyers was extended. Guaranteed minimum income will increase in Jan 2020 from KYD750 per month to KYD850 per month, and to KYD950 per month in Jan 2021, benefiting roughly 2,000 households. A 5% cost of living adjustment will be provided to civil servants.
TOURISM	Stay-over: 2019: 1,342,120 (Sep) +11.6% y/y Cruise pax: 2019: 3,959,476 (Sep) +11.2% y/y	Stay-over: 2019: 522,545 (Sep) +4.2% y/y Cruise pax: 2019: 443,133 (Sep) -1.3% y/y	Stay-over: 2019: 332,294 (Jul) +10.8% Cruise pax: 2019: 1,126,908 (Jul) -5.8%
GROWTH	2.3% (2018 est.)	-0.6% (2018 est.)	3.3% (2018 est.)
RESERVES	**External Reserves** USD Millions (Jan 2010 - Jul 2019)  Source: Central Bank of The Bahamas, Marla Dukharan	**International Reserves** USD millions (Jan 2010 - Jun 2019)  Source: Central Bank of Barbados, Marla Dukharan	n/a
OUTLOOK	IMF estimates growth will slow to 0.9% in 2019, and the economy will contract by 0.6% in 2020, followed by 1.8% average growth through 2024, contingent on tourism activity and fiscal consolidation.	IMF forecasts a 0.1% contraction in 2019, with growth to return in 2020 at 0.6%, and averaging 1.8% through 2024. The Central Bank expects growth of 1.25-1.75% for 2020. We are working with a projection of roughly zero growth in 2019.	Growth is projected at 2.7% for 2019 based on sound fiscal management and stronger construction and tourism activity, but less so on the financial services sector. Growth is now expected to average 2.2% in 2020-2021.

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	Removal of the ban on USD transactions has resulted in the emergence of a black market rate, which has convertible pesos exchanging as high as CUC1.20 : USD1.00, which is 20% above the official rate. For years, Cuba has delayed the unification of its two currencies, which trade at CUP24.00 : CUC1.00, and the measure is considered a step towards a single exchange rate. FDI this year has been reported at USD1.7 billion - far below the USD2.5 billion target established by government. Cuba's external strength is suffering, as support from Venezuela has waned as the latter's economy has collapsed. Remittances remain a leading source of foreign currency for Cuba. Tourism is underperforming 2018 by nearly 8%, with the number of arrivals from the US down 13% y/y and all European markets posting double-digit declines. Only Russia and the Cuban diaspora have recorded growth in arrivals in 2019.	The Central Bank's policy rate was left unchanged at 4.50% in November, with headline inflation at 2.48% in October and core inflation at 2.23% - below the target range of 4.0% ± 1%. Gold prices averaged USD1,475 in November, and gold exports were up 6.1% y/y in H1 2019. Economic activity expanded at a pace of 5.2% y/y in October 2019, with expansionary monetary policy continuing to stimulate credit growth. The reduction in required reserves and interest rates since June have brought private credit growth to 12% y/y. Remittances were up 8.8% y/y to USD5.87 billion in October, helping to offset weakness in tourism resulting from a negative media campaign. FDI continues to perform strongly with USD1.3 billion in inflows in H1-2019, including 33 tourism projects amounting to USD885 million in investment. DR has received an annual average of USD2.5 billion per year in FDI over the last decade.	Credit risk is high and increasing, as the non-performing loan ratio remains at 12.6% of total loans, with provisions for loan losses at only 37% of NPLs. Commercial bank loans to the private sector grew 6.6% y/y in October, with loans to businesses up 7.6% and loans to individuals up 2.9%. Notable growth was recorded in lending to manufacturing, construction, engineering, transport & communications and tourism-related activities. The Mining sector accounted for nearly 2/3 of the USD744 million in exports in H1 2019. The volume of gold exports recovered over the period, increasing 12% y/y, in spite of a 0.8% y/y decline in average export prices. Imports rose 32% y/y in H1 2019 to USD1.37 billion, with over half the increase related to mining materials as the country prepares to bring oil production online. The trade deficit amounted to USD622 million in H1, a 49% rise over the 2018 deficit.
TOURISM	Stay-over: 2019: 3563005 (Oct) -7.8% y/y Cruise pax: 2018: 877,500 +43% y/y (*341,005 from USA)	Stay-over: 2019: 5,359,903 (Oct) -1.2% y/y Cruise pax: 2019: 832,700 (Oct) +9.4% y/y	Stay-over: 2019: 66,680 (Mar) -0.1% y/y Cruise pax: n/a
GROWTH	2.2% (2018 est.)	7.0% (2018 est.)	4.1% (2018 est.)
RESERVES	n/a	 Source: Central Bank of the Dominican Republic, Marla Dukharan	 Source: Bank of Guyana, Marla Dukharan
OUTLOOK	Low growth (<1.0%) likely to persist as a result of Venezuela's crisis and shifts in US policy. Availability of foreign currency will remain a challenge. Government projects growth of 1.5% in 2019.	The Central Bank maintains a 5.0-5.5% growth forecast for 2019. Growth is expected by the IMF to moderate to 5.0% through 2024.	Bank of Guyana expects growth of 4.4% for 2019. Growth is projected by the IMF at 4.4% for 2019, and with the impact of oil production, almost 86% in 2020 – the highest in the world. The IMF forecasts growth will average 14% from 2021-2024.

<table>
<tr><th></th><th>JAMAICA</th><th>SURINAME</th><th>TRINIDAD & TOBAGO</th></tr>
<tr><td>UPDATE</td><td>Moody's upgraded Jamaica to B2 from B3, with the outlook changed from stable to positive in response to progress on structural reforms and fiscal consolidation. The exchange rate continues to fluctuate in both directions, returning to JMD131.53:USD1 in Dec 2019, after surpassing the JMD140 mark in November. BoJ's policy rate was left unchanged in December at 0.50% and has stimulated 15.5% y/y growth in credit to businesses and households. International reserves have remained above USD3 billion for the last 3 months, strengthening 7% y/y in November 2019 and currently providing coverage for 23 weeks goods and services imports. Stopover arrivals surpassed the 2 million mark in September - one month earlier than it did in 2018. Downtime at the Alpart plant is expected to have a dampening impact on growth in the coming two years, which could be somewhat offset by a recovery in agriculture, which faced weather shocks in early 2019.</td><td>Uncertainty is high following the murder conviction of President Bouterse, particularly in the context of the May 2020 general election. Fitch Ratings cautions that the increase in the debt ceiling from 60% to 95% and large fiscal deficits raise the risks on the country's debt, and forecasts debt/GDP will reach 88% by year end. The IMF reported that growth has been broad based with expansions in wholesale and retail trade, construction, hotels, restaurants, and manufacturing, while mining has remained stable. Inflation has fallen below 5% mainly arising from exchange rate stability and control over excess liquidity. The fiscal deficit is expected to reach 8.6% of GDP in 2019 while public debt remains high at around 72% of GDP. In spite of a general upward trend in reserves, Fitch warns that buffers could prove insufficient. Exchange rate pressures are already evident and Fitch estimates the black-market FX rate is currently 12% above the official rate.</td><td>In the 6 months to October, natural gas prices fell 18.2% y/y to USD2.42 per MMBTU. According the CBTT, June 2019 power outages and maintenance shutdowns at the Atlantic facility reduced production of LNG, and overall energy activity fell 3.4% y/y in H1 2019. Activity declined in manufacturing and construction sectors in H1 2019 by an estimated 2.6% and 0.6% respectively. Labour force data from H1 2018 reveals a lower labour force participation rate at 58.7%, down 1 p.p. y/y. While the unemployment rate was down to 3.8% for the period, this does not take into account ~500 retrenchments in the telecoms sector in December 2018 or job losses associated with the refinery closure. In Q1 2019, the average weekly earnings index fell 31.7% y/y – largely related to the Petrotrin closure. Lending to businesses contracted 3.8% y/y during Jan-Aug 2019, mainly related to declines in construction loans. The policy rate was maintained at 5.00%.</td></tr>
<tr><td>TOURISM</td><td>Stay-over:
2019: 2,197,022 (Oct) +9.0% y/y

Cruise pax:
2019: 1,219,934 (Oct) -15.6% y/y</td><td>n/a</td><td>Stay-over:
2019: 197,700 (Jun) +1.5% y/y

Cruise pax:
2019: 66,460 (May) -30.7% y/y</td></tr>
<tr><td>GROWTH</td><td>1.8% (IMF 2018 est.)</td><td>2.6% (IMF 2018 est.)</td><td>1.9% (CSO 2018 est.)</td></tr>
<tr><td>RESERVES</td><td>Net International Reserves
USD Millions (Jan 2010 - Nov 2019)

Source: Bank of Jamaica, Marla Dukharan</td><td>Foreign Currency Reserves
USD Millions (Jan 2010 - Oct 2019)

Source: Centrale Bank van Suriname, Marla Dukharan</td><td>Net Official Reserves
USD Millions (Jan 2010 - Oct 2019)

Source: Central Bank of Trinidad and Tobago, Marla Dukharan</td></tr>
<tr><td>OUTLOOK</td><td>The IMF expects growth at 1.06% in 2019, 1.0% in 2020, averaging 2.0% for 2021-2024.</td><td>Real GDP grew by 2.6% in 2018, following 1.8% in 2017 according to the IMF.
IMF expects real GDP to expand annually by 2¼ to 2½% during 2019-24,</td><td>The IMF projects growth at 0.01% for 2019 then averaging 1.8% through 2023. We maintain our projection of average growth of roughly 1% in 2019-2020.</td></tr>
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