SURINAME – SWIMMING SWIFTLY IN LOTS OF OIL, STRAIGHT TOWARDS VENEZUELA

While the Dutch no longer suffer from the disease they made famous, it seems they may have left behind an especially persistent strain in Suriname. Or perhaps Venezuela is contagious. Because the policy choices that gave rise to Suriname's current and chronic conditions are similar to those of Venezuela, as debt mounts, the money supply expands, the currency overvalues, the black market for FX intensifies, and FX reserves dwindle. Much like Venezuela, the rapid growth of the monetary base in Suriname, alongside rising public deficits, signals the Central Bank's financing of the government. The pace of expansion of the money supply in Suriname jumped from 37% y/y in March 2019 to 96% y/y in November. Given the upcoming general election, fiscal prudence is unlikely to be a priority, so printing is likely to persist.

Recent history shows that when the black market rate for USD reaches 20% above the official exchange rate, but only after the election, there will be a devaluation, followed by massive inflation. That spread is now around 30%. Furthermore, the ratio between the money supply and FX reserves exceeded SRD17:USD1 in November 2019 versus an official exchange rate of SRD7.52:USD1.00. Both of these metrics demonstrate the significant and mounting pressure on the exchange rate.

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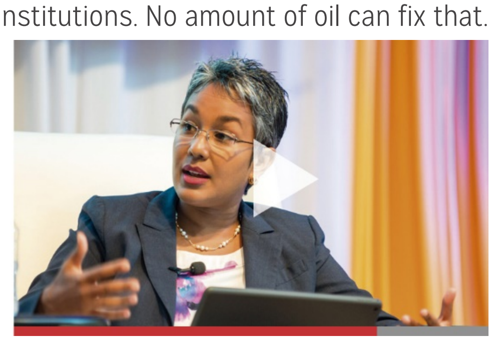
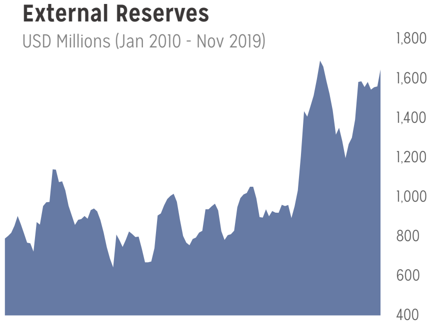
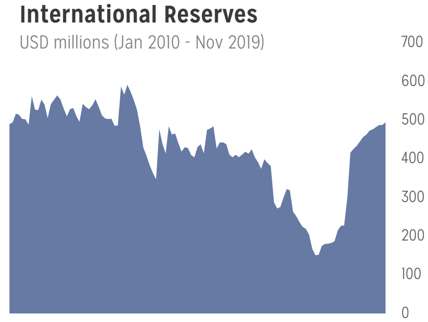
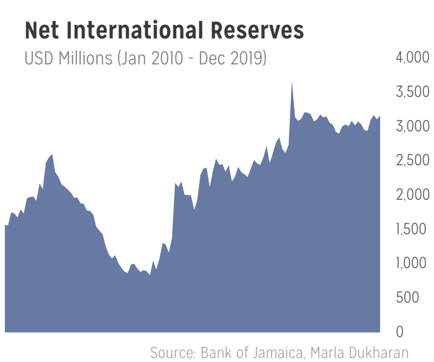
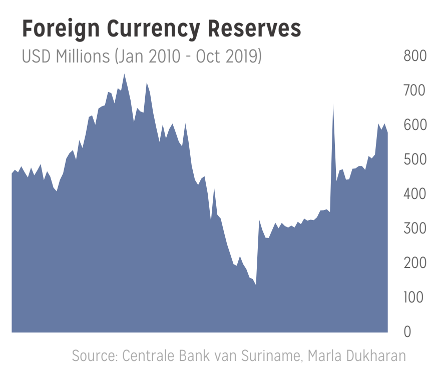
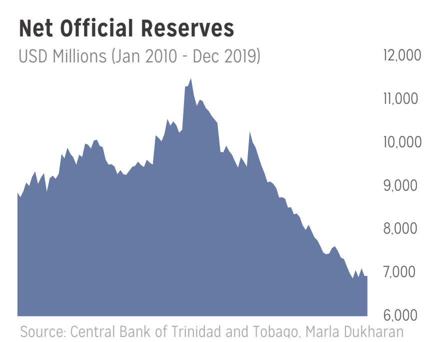
Gross External Debt grew by USD160.3 million y/y in September 2019, as debt owed to China jumped by 10% in H1 2019. Not surprising, given that China is the top bilateral lender to Suriname, accounting for 86% of Suriname's total bilateral debt – again, just like Venezuela. Parliament approved a measure in November 2019 to raise the debt ceiling to 95% of GDP, and Fitch Ratings estimates the Gross Central Government debt already reached 78% of GDP in September 2019.

And finally, there's the Central Bank. Apart from doubling the money supply in about one year to finance Government spending, recent reports highlight shocking events at the Central Bank (with largely complicit and therefore negligent, mostly state-owned commercial banks), including the departure of the Governor within a year of his tenure. All of this suggests that as an institution, the Central Bank requires urgent strengthening. But the necessary degree of reform / intervention is increasingly unlikely, given the upcoming election and the possibility that a balance of payments crisis has been delayed by a recent massive oil find of undisclosed quantity (which in itself is suspicious). All of these developments unfortunately suggest that Suriname is on a Venezuela-like path of non-transparency and broad-based macroeconomic mismanagement and deterioration, supported by an erosion of institutions. No amount of oil can fix that.



	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	The impacts of Hurricane Dorian offset strong gains in tourism in early 2019. Losses and damages from the storm were estimated at over USD3.4 billion, according to the IDB. Over 80% of the archipelago's landmass is less than 5 meters above sea level and Hurricane Dorian was the most intense storm in terms of wind and storm surge the country has ever recorded. The private sector absorbed approximately 90% of losses with major damages to housing (USD1.49 billion) and tourism (USD529 million). Foreign currency inflows from insurance receipts will help offset outflows for construction materials. In 2020, balancing the negative impact of construction material imports with the positive output through construction activity, will underpin growth. Employment will be affected as a result of the temporary reduction in tourism capacity related to the storm. Social welfare needs, reconstruction of lost infrastructure and replacement of fixed assets will put pressures on public accounts.	Following the six-notch upgrade by S&P in mid-December from SD to B-, CariCRIS reaffirmed its rating in January at CariBB (local currency) / CariBB- (foreign currency) with a stable outlook, as steady progress is made towards achieving a primary fiscal surplus of 6% of GDP this year. Further action on State-Owned Enterprise reforms will be key for fiscal sustainability. Construction and investment remain relatively weak, and reforms are needed to improve the doing business environment and efficiency. The country has had current account deficits for the last 25 years, which signals the importance of executing reforms to boost competitiveness. The economy is estimated by the Central Bank to have contracted by 0.1% in 2019, and will record 1.25-1.75% growth in 2020. Growth is then forecast to continue at a pace not exceeding 1.8% through 2024, according to the IMF. International reserves stood at roughly USD740 million at year-end – an increase of roughly 48% y/y. Tourism improved in 2019, as stayover arrivals from Jan-Sept were up 4.2% y/y.	Stay-over arrivals were up 9% y/y for Jan-Nov 2019. Cruise arrivals were down 6% y/y for Jan-Nov 2019, but remained 8% above the average over the 2015-2017 period. The port referendum in December was delayed due to a change in wording, with a new date yet to be announced. Construction and tourism activity will continue to remain strong in 2020, providing a boost to the overall economy. Unemployment stood at 3% in Fall 2019 and is expected to remain low and stable at 3.5-3.6% for 2020-2021. Inflation was 3.4% in Q2 2019, which was 0.4 p.p. higher than the average over the prior 8 quarters. The Housing and Utilities Index increased 10.4% y/y on higher costs for rent and materials for maintenance and repair. Telephone service drove up the Communications index by 6.1% y/y. These increases were partially offset by lower transport costs, which fell 8.8% y/y on lower airfare and fuel prices. The Premier recently indicated Government Debt has been reduced by 48% from KYD548 million in June 2014 to KYD284 million in at the end of 2019, according to preliminary data.
TOURISM	Stay-over: 2019: 1,416,889 (Oct) +10.0% y/y Cruise pax: 2019: 3,959,476 (Oct) +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: 448,551 (Nov) +9.1% Cruise pax: 2019: 1,618,950 (Nov) -6.2%
GROWTH	0.9% (2019 prelim. est.)	-0.1% (2019 prelim. est.)	2.7% (2019 prelim. est.)
RESERVES	**External Reserves** USD Millions (Jan 2010 - Nov 2019)  Source: Central Bank of The Bahamas, Marla Dukharan	**International Reserves** USD millions (Jan 2010 - Nov 2019)  Source: Central Bank of Barbados, Marla Dukharan	n/a
OUTLOOK	IMF estimates growth slowed 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, fiscal consolidation and hurricane recovery.	IMF and Central Bank expect a 0.1% contraction in 2019, with growth to return in 2020. The Central Bank expects growth of 1.25-1.75% for 2020, then a pace not exceeding 1.8% through 2024, according to the IMF.	Growth is now expected to average 2.2% in 2020-2021 based on continued strength in construction and tourism activity, but less so on the financial services sector. Sound fiscal management continues to underpin consistent growth.

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	Tourism from the US dropped 17.6% y/y for Jan-Nov 2019, and overall stayovers were down 8.5% y/y. Only arrivals from Russia and the Cuban diaspora posted growth, while arrivals from Canada – Cuba's largest source market - remained flat. The loss of Venezuela as its financier has hit hard, and this is now called a new "Special period". External accounts continue to deteriorate. FDI has consistently missed targets, which further complicates export growth and import substitution, and disables Cuba from breaking its reliance on foreign funding. Growth will remain weak, around 0-1%. Foreign currency will be assigned in 2020 by priority: food, fuel, medicine, fertilizer. Food and fuel account for 40% of imports. Diaz-Canel cited ECLAC's forecasts in December, saying growth in 2019 was 0.5% with a realistic 1.0% expected for 2020. Government seeks to achieve 4.7% growth in tourism in 2020, expecting 4.5 million arrivals.	International reserves ended 2019 up by USD1.15 billion y/y to USD8.78 billion. Remittances were up 9% y/y to USD6.4 billion for Jan-Nov. Total exports grew 2.8% y/y in 2019 to USD11.2 billion and the balance of payments was favored by higher prices for gold exports and lower prices for oil imports. FDI for 2019 surpassed USD3 billion, growing 18/8% y/y. Tourism revenues were down 1.2% y/y for 2019 as the sector was impacted by a negative media campaign that caused a 1.9% y/y drop in stay-over arrivals for 2019. Growth remains robust and the Monthly Economic Activity Index expanded in 2019 at an average pace of 5.1%. Credit to the private sector expanded above 12% y/y in January 2020, as a result of more flexible monetary policy with the reduction in required reserve and the 100 basis points cut to the monetary policy rate since June 2019. Inflation ended 2019 at 3.6%, in the middle of the Central Bank's target range of 4.0% ±1.0%.	Guyana exported its first 1 million barrels of oil in Dec 2019. The economy posted mixed results in Q3 2019, with growth in forestry, gold & bauxite, and increases in services and construction activity related to oil sector investments. Production declined for sugar, rice, manufacturing of paints, rum, non-alcoholic beverages and pharmaceuticals. FX transactions rose 7.8% y/y to USD7.09 billion. Total public debt declined 3.7% from Dec 2018 to USD1.64 billion in Sept 2019. External debt service payments accounted for 5% of export earnings. Capital inflows from FDI offset imports, generating a 70% y/y reduction in the current account deficit for the quarter. With over 8 billion recoverable barrels and a population of 780,000 people, the country could easily follow the [path of its neighbors] suffering from Dutch disease if proper governance is not put in place. With elections next month, political uncertainty and weak institutions do not bode well for meaningful social outcomes.
TOURISM	Stay-over: 2019: 3,896,868 (Nov) -8.5% y/y Cruise pax: 2018: 877,500 +43% y/y (*341,005 from USA)	Stay-over: 2019: 6,446,036 (Dec) -1.9% y/y Cruise pax: 2019: 943,828 (Nov) +9.8% y/y	Stay-over: 2019: 255,779 (Oct) +9.1% y/y Cruise pax: n/a
GROWTH	0.5% (2019 prelim. est.)	5.1% (2019 prelim. est.)	4.5% (2019 prelim. est.)
RESERVES	n/a	**Net International Reserves** USD Millions (Jan 2010 - Dec 2019)  Source: Central Bank of the Dominican Republic, Marla Dukharan	**Net International Reserves** USD Millions (Jan 2015 - Nov 2019)  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 1.0% in 2020.	The Central Bank maintains a 5.0-5.5% growth estimate for 2019. Growth is expected by the IMF to moderate to 5.0% through 2024.	Bank of Guyana expects growth of 4.5% for 2019. Growth is estimated 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.

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	Inflation ended 2019 at 6.2% - above the Bank of Jamaica's target range of 4.0-6.0%. This was primarily the result of higher agriculture prices as a consequence of adverse weather between June and October, and crop disease. Higher oil prices internationally also put upward pressure on electricity rates. Core inflation, which excludes energy and agricultural prices, was 2.9% for 2019. Interest rates and unemployment are at historic lows. The exchange rate continues to fluctuate in both directions, with average daily foreign currency inflows in early January 2020 at roughly USD31 million, which is higher than January 2019 and fluctuations in demand experienced in early January are expected to remain short-term nature. Stay-over tourism was up 8.5% y/y for Jan-Nov 2019. The country has now had 19 consecutive quarters of real GDP growth. Alpart upgrades will impact growth in the coming 8 quarters. International reserves were up 5.2% y/y at the end of 2019 to USD3.16B, providing coverage for 23 weeks of goods and services imports.	Suriname was downgraded by Fitch to CCC. Fitch Ratings estimates the black-market exchange rate is trading around 16% above the official rate. The relationship between the money supply and foreign currency reserves rose to above SRD17:USD1 in the month of November, while the exchange rate remains at SRD7.52:USD1. Money supply grew 96% y/y in Nov 2019, signaling Central Bank financing of the government, as debt is mounting, the currency is overvalued, the black market is thriving, and international reserves have risen only based on debt. Govt expects a deficit of 5% of GDP in fiscal 2020, with no signs of correction - average deficit of 4.6% of GDP expected through 2023. The deficit on the current account of the balance of payments widened from USD39 million for Jan-Sept 2018 to USD308 million in Jan-Sept 2019 – an almost eightfold increase y/y. The Gross External Debt position rose by USD160.3 million y/y in Sept 2019. Debts to China increased 10% in the first 6 months of 2019. China is the top bilateral lender, accounting for 86% of total bilateral debt.	New vehicle sales were down 3.5% y/y for Jan-Nov 2019. Local sales of cement grew 0.6% y/y for 2019. Crude oil production was down 8.1% y/y for Jan-Nov 2019, while natural gas production averaged 3.6 bcf/d, with weakness resulting from disruptions mid-year. Natural gas prices in the first 3 months of the fiscal year were 20% below the 2019/2020 budget estimate. Headline inflation remains low at 1.1% in Sept 2019, suggesting there is room for at least SOME flexibility in the exchange rate. The Central Bank indicates that substantial public sector borrowing expected in FY2020 could crowd out private investment, further dampening growth. T&T has lost 40% of its foreign reserves in the last 5 years. The overvalued TTD subsidizes imports & penalizes exports. Reserves are at the lowest level since 2007 ending 2019 at USD6.929 billion, or 7.7 months of import cover. Fiscal imprudence to likely worsen during this election year, as always. Higher fiscal spending is driving higher outflows of USD via greater consumption and capital flight.
TOURISM	Stay-over: 2019: 2,339,805 (Nov) +8.5% y/y Cruise pax: 2019: 1,346,070 (Nov) -16.9% y/y	n/a	Stay-over: 2019: 197,700 (Jun) +1.5% y/y Cruise pax: 2019: 66,460 (May) -30.7% y/y
GROWTH	1.1% (2019 prelim. est.)	2.3% (2019 prelim. est.)	1.0% (2019 prelim. est.)
RESERVES	 Source: Bank of Jamaica, Marla Dukharan	 Source: Centrale Bank van Suriname, Marla Dukharan	 Source: Central Bank of Trinidad and Tobago, Marla Dukharan
OUTLOOK	The IMF expects growth at 1.06% in 2019, 1.0% in 2020, averaging 2.0% for 2021-2024.	The IMF estimates real GDP grew by 2.3% in 2019, slowing from 2.6% in 2018. IMF forecasts real GDP to expand annually by 2-2½% during 2020-24,	The IMF estimates 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.