SETTING FISH POTS IN A TIME OF COVID-19* - IS TOURISM WORTH THE RISK RIGHT NOW?

Everything in life is a tradeoff. And this pandemic has made tradeoffs that much more expensive. It has amplified the benefits of being prudent and prepared, the risks inherent in our business models and economic structures, and the dangers of obscene inequality. It has created a natural experiment, laying bare the evidence that in general, our overdependence on the traditional tourism product in the Caribbean is a major source of socio-economic vulnerability. As such, the pandemic has also amplified the imperative of economic diversification away from traditional tourism.

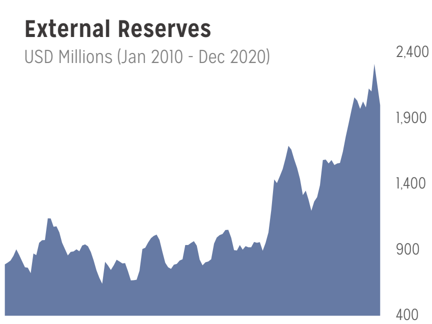
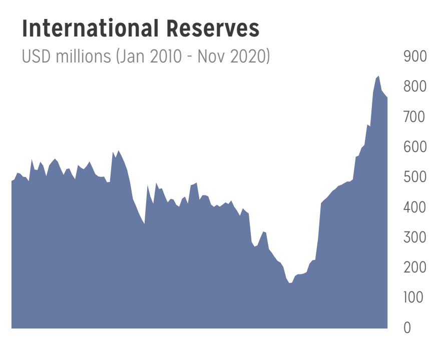
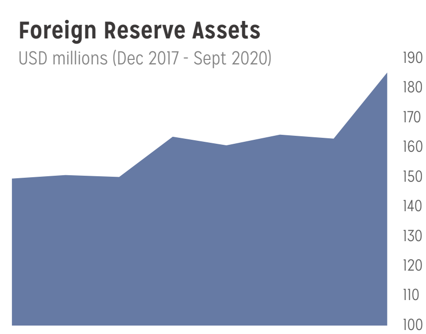
According to the Central Bank of Barbados (CBB), the tourism sector expanded by 3% in 2019 — the 5th consecutive year of positive growth - with 'long-stay' arrivals up 3.5% that year. In 2018, Barbados recorded 678,538 stopover arrivals. According to the World Travel and Tourism Council, in 2019 Barbados' tourism sector contributed 31% of GDP, created 44.9K jobs, and tourists spent USD1.253 billion. The UNWTO estimates tourist spend at USD1.3 billion in 2019, at 65% of exports. If we assume 2019 stopover arrivals at 702,286 for Barbados (678,538 for 2018, up 3.5%, as the authorities never published the final 2019 figure), the average spend per traveler is less than USD2,000. This estimate is consistent with the IMF's Week at the Beach Index, which reflects Barbados at about USD2,000 per traveler, per week.

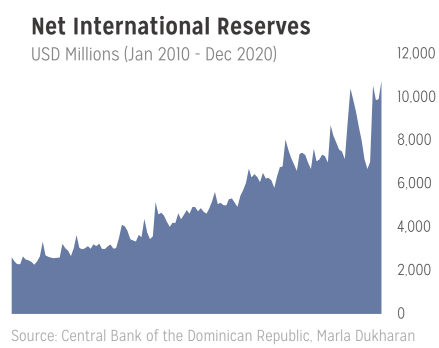
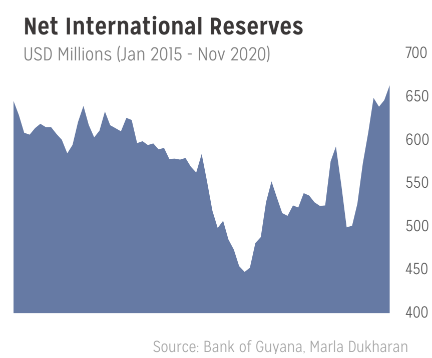
Is USD2,000 per tourist, on average, worth the health and spillover economic risks?

Is USD2,000 per tourist, on average, worth the risk? The Barbados Government has already had to pay about 33,000 unemployment beneficiaries over BBD70 million, even before this most recent spike. And we don't know the cost to the state of all the hazard pay, reimbursements to tourists, testing, quarantining and healthcare for those affected. This, not to mention the further cost to the private sector and the overall economy due to business and school closures, etc.

Every pot fisherman knows that when he hauls, there's no telling what he may have trapped. A policy decision was made to set pots for tourists, hoping for a lucrative catch. Barbados took a 'calculated risk' by setting relatively relaxed protocols (compared to the Cayman Islands and T&T for example), in the hope that our pot 'mesh' was fine enough to control the spread of the virus, presumably because the average tourist mightn't want to quarantine for two weeks. But before taking a 'calculated risk,' one must first ask whether it is even necessary to take it in the first place, and then decide whether it is worth taking, and to what degree. From a fiscal standpoint, the BEST program presumably covers us for at least another year. Gross International reserves crossed USD1 billion in September 2020 — probably the highest level ever. Barbados has access to concessionary loans from multilateral institutions, and the IMF is unlikely to abandon us at this juncture. Barbados is on solid ground externally and fiscally, thanks to strong and decisive leadership. We therefore don't even need to continue to take the risks inherent in a 5-day quarantine. Welcome Stampers are more likely to agree to and comply fully with a two-week quarantine, because so much more is at stake. Why not focus solely on this market, at least until the pandemic is brought under control? You never know - they may be the best fish to keep.

*Please click here for the full-length, original version of this piece, written by Damian Edghill and Marla Dukharan.

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	The economy contracted by 16.2% in 2020, according to IMF estimates. Domestic and foreign investment will be an important source of stimulus in 2021. High exposure remains to tourism, and the success of vaccination programs abroad. Roughly 10% of private loans were under deferred payment status in Nov 2020 and could convert to non-performing loans as deferral periods expire in 2021. The CB asserts there is sufficient excess capital for banks to absorb losses. FX inflows through the private sector fell by 33% y/y in 2020, while demand for foreign exchange fell 13%, leaving a USD400 million gap that was covered by Gov't borrowing. FX reserves closed 2020 at a historic USD2 billion - the result of gov't borrowing. In its 2020 Fiscal Strategy Report, Gov't estimated debt-to-GDP will reach 83% in FY2020/21 and 85% in FY2021/22. The primary fiscal deficit is projected to double y/y to BSD930 million this FY, returning to surplus in FY2022/23. The overall fiscal deficit is expected to reach 11.6% of GDP this FY, with expenditure containment to be used to offset additional revenue shortfalls.	The CBB estimates the economy contracted 18% y/y in 2020. Following the July reopening of tourism, arrivals were down 71% y/y in 2020 and the sector remains highly exposed to the US and UK, which historically account for around 63% of tourists. The recent second-wave of COVID-19 infections and the current lockdown, will make for a slower than projected recovery. COVID-related spending is expected to reach 2.5% of GDP in this FY. An increase in the extended arrangement with the IMF will provide financing for the newly lowered primary fiscal deficit target of 1% of GDP. Debt-to-GDP will increase to 146% in FY2020/21 and will not decline to 107% until 2025. The IMF estimates 23% of the labor force made claims to the NIS through October 2020. Gov't will provide liquidity support to the NIS by buying back Gov't paper. Gov't borrowing resulted in an increase in foreign reserves in 2020 to USD1.4 billion or 40 weeks of imports, according to the CBB. On the Balance of Payments, the current account deficit was projected at 8.3% of GDP for 2020 and the IMF projects 7.3% for 2021.	Cayman has rolled out its vaccination program and plans remain in place for tourism to reopen in Q2 2021, according to declarations from the Minister of Finance. For Jan-Nov 2020, the Gov't recorded an operating deficit of just KYD26 million - far below the worst-case scenario of KDY168 million. When taking into account the surpluses of statutory entities, the total public sector deficit was a mere KYD23 million. Government ended Nov 2020 with KYD456 million in cash on hand, with the cash burn rate from COVID estimated at KYD20 million per month. GDP is expected to have contracted between 7.2% and 11.6% in 2020. The decision to delay the reopening of tourism will likely temper the 4.5% GDP recovery projection for 2021. A recent announcement made by Aster DM Healthcare for a phased investment in a USD350 million medical facility, an assisted living and independent living facility, and a medical school on Grand Cayman, as well as a medical clinic on Cayman Brac, will provide further impetus to overall economic activity, with construction expected to commence mid-year.
TOURISM	Stay-over: 2020: 405,148 (Oct) -73.8% y/y Cruise pax: 2020: 1,327,084 (Oct) -69.6% y/y	Stay-over (est): 2020: 203,663 (Dec) -71% y/y Cruise pax (est): 2020: 250,881 (Dec) -64% y/y	Stay-over: 2020: 93,558 (Feb) +8.5% Cruise pax: 2020: 448,435 (Feb) -4.3%
GROWTH	-16.2% (2020 prelim. est.)	-15% (2020 prelim. est.)	-7.6 to -11.6% (2020 prelim. est.)
RESERVES	 Source: Central Bank of The Bahamas, Marla Dukharan	 Source: Central Bank of Barbados, Marla Dukharan	 Source: CIMA, Marla Dukharan
OUTLOOK	Central Bank estimates the recovery could take until 2023. The IMF forecasts a modest rebound of 2% in 2021, a stronger recovery in 2022 of 8.5%, and pre-pandemic levels of activity not expected before 2024.	IMF forecasts an 11.6% contraction this year, which is subject to further downward revision. Growth will return to a medium-term average of 2% as structural reforms are implemented.	The government estimates growth for 2021 will likely fall below the initial 4.5% projection, largely dependent on the timing of the reopening of tourism and the effectiveness of the vaccine rollout.

<table>
<tr><th></th><th>CUBA</th><th>DOMINICAN REPUBLIC</th><th>GUYANA</th></tr>
<tr><td>UPDATE</td><td>Gov't projects 2.2 million tourists will arrive in 2021 and a 19% y/y growth in foreign exchange revenues from goods and services exports. Imports are projected to grow 12% y/y with 37% of total imports in the food and fuel category. GDP growth projections are based on a 22% increase in investment, mainly focused on food production and power generation. For 2020, hard currency entering the economy was 45% below plan. Gov't plans to create 32K new jobs, 2/3 of which will be in the public sector. The economy contracted for the second consecutive year in 2019 by 0.2% and activity declined a further 11% in 2020. The monetary and salary reform, which took effect on Jan 1, 2021, eliminates the convertible peso (CUC) currency, allowing a six-month period for CUC to be exchanged to CUP. The prevailing exchange rate is CUP24:USD1. Monthly salary increases also took effect on Jan 1, 2021, ranging between CUP2,100 (USD87.50) and CUP9,510 (USD396).</td><td>The economy contracted around 6.7% in 2020 and international reserves ended the year at USD10.5 billion - a historic high. This was largely owed to the USD3.8 billion bond placement in Sept 2020. The monetary policy rate was reduced by 150 basis points between Mar and Dec 2020 to 3%, and liquidity was increased, providing monetary stimulus throughout the year. Inflation ended 2020 at 5.5%, slightly above the 4.0% ±1 % target. Remittances hit an all-time high of USD8.2 billion in 2020, up 16% y/y, and FDI remained in line with historical averages over the last decade at USD2.55 billion. Tourism arrivals fell 63% y/y in 2020 to 2.4 million. The gov't deficit widened to 7.1% of GDP, with a deficit of 3% of GDP budgeted for 2021. Public sector debt ended 2020 at 68% of GDP. A USD2.5 billion bond placement was carried out in Jan 2021. The economy will begin to recover in 2021, with the Central Bank forecasting USD8.5 billion in remittances and USD2.7 billion in FDI to enter the country.</td><td>The World Bank estimates Guyana's economy grew 23.2% y/y in 2020 and forecasts growth at 7.8% in 2021. Interest rates declined in 2020, with the average prime lending rate falling to 8.88%, down 141 basis points. Domestic credit to the private sector expanded 2.6% y/y in Nov 2020, while total public sector credit increased 50% y/y. Commercial Bank holdings of T-bills increased 15% y/y at Nov 2020, excess liquidity more than doubled y/y, and currency in circulation expanded 33% y/y. International reserves increased 26% y/y to USD663 million - the highest level since 2014. Guyana received USD185 million in oil export revenues in 2020, falling below the initial target of USD300 million, as a result of the drop in global oil prices, and a reduction in production as a result of defective equipment. Four oil cargoes were shipped in 2020. In 2021, 5-6 cargoes are expected, since Exxon has remedied the equipment issues that slowed production in 2020.</td></tr>
<tr><td>TOURISM</td><td>Stay-over:
2020: 984,178 (May) -57% y/y
Cruise pax:
2018: 877,500 +43% y/y (*341,005 from USA)</td><td>Stay-over:
2020: 2,405,315 (Dec) -62.7% y/y
Cruise pax:
2020: 344,485 (Dec) -68.7% y/y</td><td>Stay-over:
2020: 69,022 (Oct) -73% y/y
Cruise pax:
n/a</td></tr>
<tr><td>GROWTH</td><td>-11% (2020 prelim. est.)</td><td>-6.7% (2020 prelim. est.)</td><td>23% (2020 prelim. est.)</td></tr>
<tr><td>RESERVES</td><td>n/a</td><td>
</td><td>
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<tr><td>OUTLOOK</td><td>Gov't projects growth of 6-7% in 2021, largely dependent on tourism's recovery, and investment in food production and power generation.</td><td>The economy will begin to recover in 2021, growing an estimated 6%, according to Central Bank projections. The World Bank (Jan 2021) projects 4.8% growth in 2021 and 4.5% in 2022.</td><td>The World Bank (Jan 2021) foresees 7.8% growth in GDP for 2021 and 3.6% for 2022. The IMF forecast (Oct 2020) projected 8% growth in 2021 and 29% in 2022.</td></tr>
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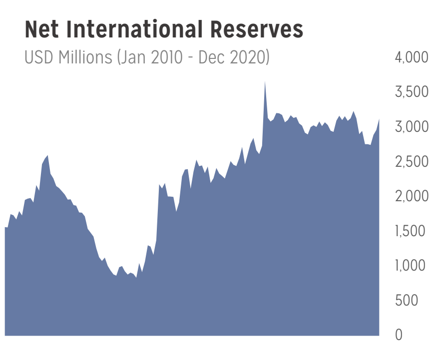
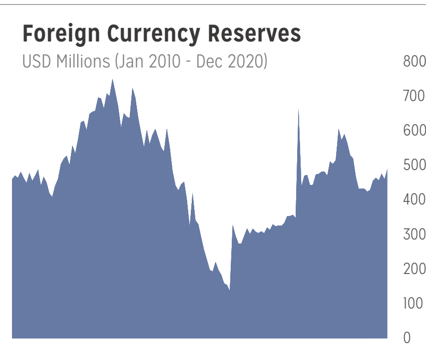
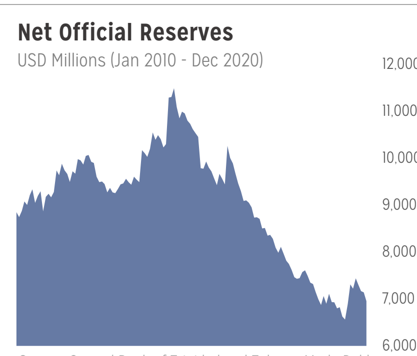
<tr><th></th><th>JAMAICA</th><th>SURINAME</th><th>TRINIDAD & TOBAGO</th></tr>
<tr><td>UPDATE</td><td>GDP contracted 10.7% y/y for Jan-Sept 2020 and flooding likely drove a contraction between 9-11% in Q4, based on damage to agriculture, housing and infrastructure. Int'l reserves ended 2020 at USD3.13 billion, with non-borrowed reserves around USD2.65 billion. Remittance inflows rose 18% y/y in Jan-Oct 2020 to USD2.3 billion - a record level. Unemployment reached 12.6% in July 2020, returning to Jan 2017 levels. Growth in credit to the private sector slowed in Sept 2020 to 12.2%, down from 13.3% in June. The exchange rate continues to fluctuate in both directions month to month, ending 2020 at JMD144:USD1, in spite of having breached the JMD150 mark in Aug 2020. Both the Present and Future Business Conditions outlooks improved in Nov, according to the Inflation Expectations Survey. Prices are expected to increase over the next 12 months by 6.4%, and the JMD is expected to decline by 3% y/y. The primary fiscal surplus for H1 FY2020/21 of JMD3.6 billion was dramatically narrower y/y, but massively outperformed the JMD0.2 billion target.</td><td>Latest estimates point to a 12.5% GDP contraction in 2020. The SRD declined by 47.4% y/y in 2020, and inflation reached 56.4% in November. The Central Bank (CBvS) increased the reserve requirement ratio from 35% to 39% in December 2020 to absorb excess liquidity, and reduce pressures on the exchange rate and domestic prices. The CBvS announced the likelihood of higher interest rates on consumer loans, but production / investment-related credit should be spared. Foreign currency reserves declined 5.7% y/y to USD492 million in 2020. Technical meetings with the IMF would have begun on Jan 19, 2021 for financial and technical support for the government's macroeconomic reform and stabilization plan. The deferral agreement reached in December 2020 between bondholders and government, which runs through April 26 2021, specifies that the Gov't commits to "IMF-supported" policies. Public sector debt-to-GDP was estimated at 123.1% in Nov 2020, with a primary fiscal deficit of 10% of GDP.</td><td>Central Bank reported a 13.7% y/y contraction for the June 2020 quarter. Their index has only recorded growth in 4 of the last 23 quarters. Signs indicate weakness continued in the final 2 quarters of 2020. Crude oil exports dropped 11% y/y in Jan-Sept 2020 and crude oil production dropped 3% y/y. LNG production for Jan-Oct 2020 fell 14% y/y. New vehicle sales dropped 30% y/y in the first 11 months of 2020. Local sales of cement dropped 9% y/y for Jan-Sept 2020. Retail sales dropped 18.2% y/y in Q2 2020. Headline inflation was 0.7% in October, core inflation was 0.0%, and food price inflation accelerated to 4.4%. Credit growth slowed from a pre-pandemic level of 5% y/y to 0.6% in Sept. Purchases of foreign exchange by authorized dealers declined 23% y/y in 2020 to USD3.3 billion. Int'l reserves ended 2020 at USD6.9 billion, roughly where they stood at the end of 2019, in spite of a USD680 million drawdown from the HSF in 2020. Gross public sector debt-to-GDP reached 89.8% in Sept 2020, with expansions in both domestic and external debt, up 6% and 19% y/y, respectively.</td></tr>
<tr><td>TOURISM</td><td>Stay-over:
2020: 91,886 (Nov) -67.1% y/y

Cruise pax:
2020: 449,271 (Sept) -66.6% y/y</td><td>n/a</td><td>Stay-over:
2020: 91,886 (Jun) -44.7% y/y

Cruise pax:
2020: 45,580 (Nov) -36.3% y/y</td></tr>
<tr><td>GROWTH</td><td>-10% to -12%% (2020 prelim. est.)</td><td>-12.5% (2020 prelim. est.)</td><td>-5.6% (2020 prelim. est.)</td></tr>
<tr><td>RESERVES</td><td>

Source: Bank of Jamaica, Marla Dukharan</td><td>

Source: Centrale Bank van Suriname, Marla Dukharan</td><td>

Source: Central Bank of Trinidad and Tobago, Marla Dukharan</td></tr>
<tr><td>OUTLOOK</td><td>EPOC does not anticipate the economy will recover to pre-pandemic levels before FY2023/24. The IMF is forecasting a recovery of 3.6% in 2021 and 3.8% in 2022.</td><td>The Government is in talks with the IMF as a debt / balance of payments crisis is underway. The IMF is projecting only 1.5% growth in 2021.</td><td>We expect the economy to have contracted by 8% to 10% in 2020. The IMF forecasts growth of only 2.6% in 2021. We also expect a balance of payments crisis and an IMF program by 2022, at the latest.</td></tr>
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