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CAYMAN VOTES - GENERAL ELECTIONS IN THE BEST-RUN COUNTRY IN THE CARIBBEAN

Determining the appropriate policy reforms to sustainably improve the socio-economic trajectory of the best-run country in the Caribbean, must feel like figuring out what gift to buy for someone who already has everything. But according to Moody's, any developments (1) alleviating the constraints that the Cayman Islands' small and relatively undiversified economy poses to the sovereign credit profile, (2) driving greater and more diversified economic growth that would push the per capita GDP higher than that of peers, and (3) promoting the buildup of significant fiscal buffers to address any sudden economic shocks and a policy framework that ensures the maintenance of very low debt levels, could lead to an improvement to Cayman's rating and/or outlook. By extension, broader socio-economic progress will also be supported.

Not that more can't be done, but Cayman's fiscal strength has been proven to adequately mitigate the economic shocks of natural disasters and the sudden-stop, and diversification efforts are underway into medical tourism and the digital economy, for example. Furthermore, the authorities must be congratulated for successfully managing the pandemic's socio-economic fallout. Indeed, Cayman's pandemic response remains the gold-standard, globally. But like many other countries, Cayman faces two major threats to its stability and progress; climate change, and wealth/income inequality.

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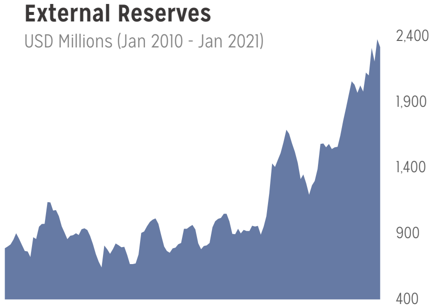
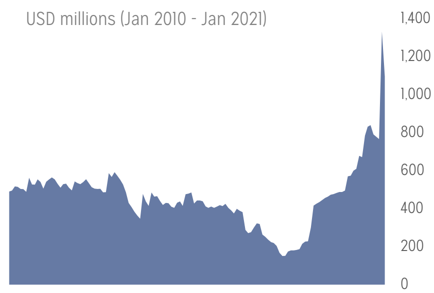
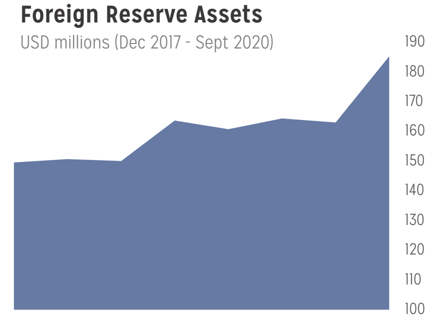
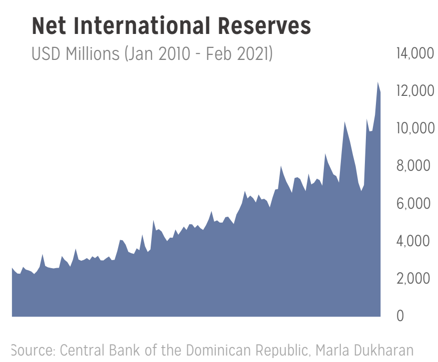
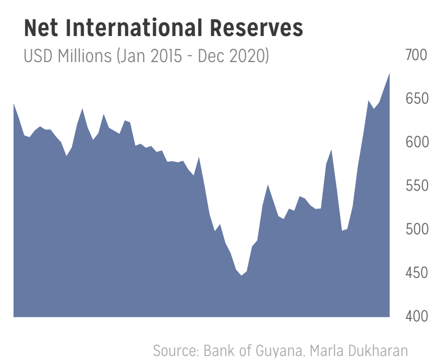
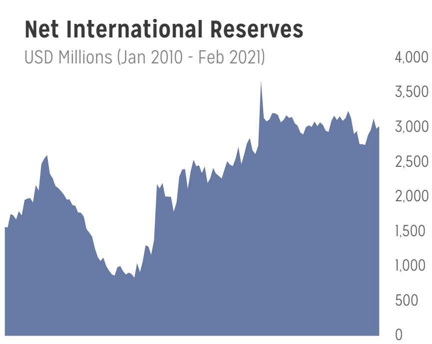
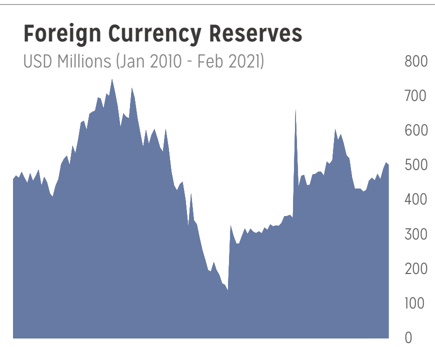
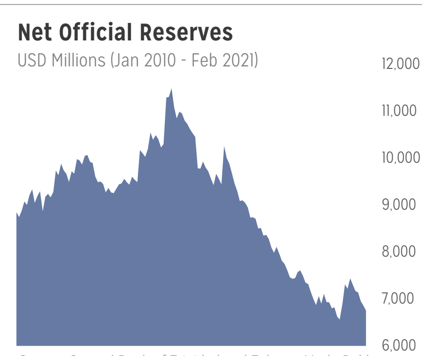
Cayman is one of the most susceptible to sea level rise, as its highest point is only 60 feet above sea level. Moody's reported that if temperatures were to rise by 3°C, 83% of the population in the Cayman Islands would be submerged. The rise in sea level that's already 'baked-in' will displace thousands of Caymanians, and destroy valuable housing and infrastructure. Building greater climate resilience therefore, is a matter of survival, even in the near-term in Cayman.

Recent surveys revealed that the cost of living (directly and indirectly influenced by property prices) in Cayman is quite high and rising, compounding the already-regressive tax framework, driving greater income and wealth inequality. Land/property in Cayman is increasingly sought-after for rent-seeking and / or speculative purposes, by both locals and foreigners. The untaxed price appreciation in real estate assets amounts to an unintended transfer of wealth. It may be more appropriate therefore to model the tax and fiscal policy approach of a natural resource-based economy, where the finite and depleting natural resource (land) is taxed based on 'extraction' (sale), and a portion of that tax revenue saved in a sovereign wealth fund, with a view to investing to ensure inter-generational equity. The sovereign wealth fund could finance much needed climate resilience, and the national 'Plan Cayman' development plan. Otherwise, broad-based reform towards a more progressive tax framework, and a fiscal policy stance which protects the most vulnerable and grows the middle-class, would lessen inequality, and drive greater stability and better socio-economic outcomes for all.

"If we merge mercy with might, and might with right, then love becomes our legacy, and change our children's birthright. So let us leave behind a country better than the one we were left with" – Amanda Gorman, President Biden's Inauguration

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	Weakness in the tourism sector will continue, particularly in H1 2021 until the vaccine rollout in North America has advanced and confidence recovers. Short-term rental properties reported a 50% drop in revenues in 2020, as compared to a 75% y/y drop in air arrivals, which more deeply impacted the hotel sector. The banking sector provisioned for loan losses and the expiry of deferral arrangements will cause an increase in delinquencies in 2021, with 8.5% of loans in deferral at the end of 2020. Banks are considered by the Central Bank to have sufficient capital to absorb the losses. A reduction in local currency borrowing could result, as the Central Bank highlights this contributes to the decline in USD reserves. Foreign exchange needs are expected to exceed inflows in 2021 again. Central Govt external debt increased 57% y/y in Jan 2021 to USD4 billion and total direct debt increased 22% y/y to BSD9.4 billion. The rise in external borrowing expanded USD reserves, which ended Jan 2021 at USD2.3 billion with usable reserves at USD1.2 billion.	Net International Reserves fell from USD1.3 billion in December 2020 but remained above USD1 billion in January, at over 9 months import cover. The IMF indicates all key indicative targets under the BERT program were met in December, and points to positive advances on structural and institutional reforms, including the new Central Bank law approved in December 2020 that will limit financing of the Government and provide greater autonomy. For 2020, the Caribbean Development Bank estimates that debt/GDP rose to nearly 150% and is expected to fall to 141.2% this year. Draft estimates of revenue and expenditure for Fiscal Year 2021/2022 project debt will reach BBD11.25 billion at the end of March 2022, growing 8.5% y/y. A fiscal deficit of 8.1% of GDP is projected for the coming fiscal year, following an overall fiscal deficit equivalent to 12.2% of GDP for the fiscal year ended March 2021. Net Revenues are expected to expand by 20% y/y with 28% of inflows earmarked for debt servicing – over half of which will go toward interest expense.	Strong fiscal management led to a central govt operating deficit of only KYD38 million in 2020. Debt/GDP ended 2020 at an estimated 5.2%. The remarkable result was achieved as land transfer stamp duty and private fund fees outperformed targets, despite extraordinary expenditure to combat COVID-19 and provide social safety nets. Unemployment stood at 5.2% in H2 2020 - 8.3% for Caymanians, 2.8% for permanent residents, and 2.2% for non-Caymanians. Total job losses y/y were 578 for Caymanians and 5,750 overall. Cayman suffered a net population loss of 4,128 in 2020 with 4,580 persons leaving, and 452 Caymanians returning. Women accounted for 58% of the unemployed with an overall unemployment rate of 6.2%, thus being impacted disproportionately. Inflation was 1.0% in 2020, with the strongest upward pressures from communications prices, up 5.9%. For Jan-Sept, GDP contracted 8.2%, with sharp declines of 9.6% in construction and 64.7% in hotels & restaurants, but only slight contraction of 0.7% in Financial Services.
TOURISM	Stay-over: 2020: 418,927 -74.8% y/y Cruise pax: 2020: 1,327,084 -75.6% 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: 144,427 (Sept) -62.6% Cruise pax: 2020: 538,140 (Sept) -59.6%
GROWTH	-16.2% (2020 prelim. est.)	-18% (2020 prelim. est.)	-7.6 to -11.6% (2020 prelim. est.)
RESERVES	**External Reserves** USD Millions (Jan 2010 - Jan 2021)  Source: Central Bank of The Bahamas, Marla Dukharan	**International Reserves** USD millions (Jan 2010 - Jan 2021)  Source: Central Bank of Barbados, Marla Dukharan	**Foreign Reserve Assets** USD millions (Dec 2017 - Sept 2020)  Source: CIMA, Marla Dukharan
OUTLOOK	Central Bank estimates the recovery could take until 2023. The IMF forecasts growth at 2% in 2021, a stronger recovery in 2022 of 8.5%, and pre-pandemic levels of activity not expected before 2024.	IMF forecasts gradual recovery to begin this year, largely dependent on COVID-19 developments in the US and UK. 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.

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	Scarcity of essential goods and inflation have resulted from the unification of the currencies, with some mandated price increases being partly reversed, as the population became more vulnerable and financial pressures mounted on state-run companies. Nearly half of state-run agro producers reported losses in Jan 2021, according to the Vice-minister. Loss-making public enterprises will worsen the budget deficit, estimated to surpass 10% of GDP, forcing the state to either reduce production, payrolls, or transfers. Debt/GDP is estimated at just below 120%. Lower FX inflows from tourism is creating continued Balance of Payments pressures, with tourists arriving in Jan-Feb 2021 down 94% y/y. That translates into 916K thousand less tourists y/y. This followed a 74.6% y/y drop in 2020, which is estimated to have cost the country USD2 billion in foreign exchange. Hotels & Restaurants accounted for 12% of total goods and services exports in 2019. Health services exports are likely to have increased in 2020, at least partially offsetting the decline. In 2019, Cuba exported USD5.4 billion in health services.	Remittances grew 31% y/y in Jan-Feb 2021 driven mainly by US fiscal stimulus, as the US is the source of ~83% of remittances. In 2020, remittance inflows grew 16% y/y to USD8.2 billion, surpassing the highest level of tourism revenues ever generated in a single year. Net international reserves ended Feb 2021 at USD11.96 billion - over 7 months of import cover – driven mainly by borrowing. Public sector debt reached 56.7% of GDP in 2020, expanding 16 p.p. y/y. Roughly 74% of public debt is denominated in foreign currency. Fitch affirmed the BB- credit rating with a negative outlook, highlighting the importance of divestment of energy assets in alleviating the deficit. Fitch expects the economy to grow 4.9% in 2021-22 backed by remittances, tourism, and manufacturing exports. Fitch is projecting a post-pandemic deficit of 4.2% of GDP through 2022. FDI is expected to strengthen in 2021, and will lower the current account deficit, which reached 1.8% of GDP in 2020. Inflation in January was 5.35% and is expected to return to the target range of 4.0 % ± 1.0 % by mid-year.	The economy grew 43.5% in 2020 as oil production came online. The oil & gas sector accounted for 16% of total economic activity and contributed 65% more to GDP than gold, and 25% more than agriculture. Non-petroleum GDP contracted 7.3% y/y as Gold output declined by 8%, Construction by 6%, Wholesale & Retail by 28%, and Transport & storage by 30%. The Financial sector grew 3%, and Real Estate activity remained virtually flat. International reserves ended 2020 at the highest level since 2014 at USD680.6 million. The current account balance went from a USD2.8 billion deficit in 2019 to a USD659 million deficit in 2020, as exports rose by 65% y/y to USD2.59 billion and imports dropped 49% y/y to USD2 billion. The overall balance of payments recorded a surplus of USD61 million. Total crude oil exports for the year topped USD1 billion, accounting for 42% of total domestic exports at 26.6 million barrels. Gold exports amounted to USD979 million, up 12% y/y. In its first 13 months of oil production, Guyana produced 27.6 million barrels of oil (T&T produced 22.5 million in the same period).
TOURISM	Stay-over: 2020: -74.6% y/y; 2021: 57,387 (Feb) -96% Cruise pax: 2018: 877,500 +43% y/y (*341,005 from USA)	Stay-over: 2020: -63% y/y, 2021: 205,311 (Jan) -63% y/y Cruise pax: 2020: 344,485, -68.7% y/y	Stay-over: 2020: 69,022 (Oct) -73% y/y Cruise pax: n/a
GROWTH	-11% (2020 prelim. est.)	-6.7% (2020 prelim. est.)	43.5% (2020 prelim. est.)
RESERVES	n/a		
OUTLOOK	Gov't projects growth of 6-7% in 2021, largely dependent on tourism's recovery, and investment in food production and power generation.	The economy will begin to recover in 2021, growing an estimated 5.5-6%, according to Central Bank projections. The World Bank (Jan 2021) projects 4.8% growth in 2021 and 4.5% in 2022.	The World Bank foresees 7.8% growth in 2021 and 3.6% in 2022. The IMF forecast (Oct 2020) projected 8% growth in 2021 and 29% in 2022.

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	The economy contracted 10.2% in 2020, according to initial estimates, as the goods producing sector declined 4.7% and the services sector fell 11.3% y/y (Hotel & Restaurants down 53.5% y/y). Remittance inflows exceeded USD3 billion in 2020, up 20% y/y, 58% of which came from the US. As such, fiscal stimulus abroad is expected to drive buoyant remittance flows in 2021 as well. International Reserves remained over USD3 billion in Feb 2021, at 36 weeks of goods & services import cover. Private sector loans grew at a robust pace of 11.5% y/y in Nov 2020, supporting working capital needs. The Bank of Jamaica reported that the banking sector remains sound and sufficiently capitalized. Fitch Ratings affirmed Jamaica's B+ rating with a stable outlook, expecting Jamaica to be one of the few sovereigns with a primary fiscal surplus for FY2020/2021. Fitch expects debt/GDP to rise to 111% by the end of March 2021, then reassume its downward path. Fitch is forecasting growth at 4.5% in 2021, and 5.2% in 2022.	Discussions continue with the IMF and the creditors committee placed conditions on further extensions after the initial deadline passed. Debt/GDP ended 2020 at 110%, with the primary fiscal deficit estimated at 10% of GDP. Foreign currency reserves reached USD503 million in Feb 2021. The Current Account of the Balance of Payments recorded a surplus in 2020 of USD275 million - the best result since 2012. Goods exports reached USD2.34 billion - the best result since 2013 - up 10% y/y as gold prices provided upside, and gold exports reached USD1.84 billion last year. Imports declined 22% y/y, due to the weaker economic environment, as well as the devaluation, with a notable decline in Q4 2020. Inflation reached 61.6% in Feb 2021, as the passthrough effects of the devaluation are being felt. The 2016 devaluation saw a maximum y/y SRD depreciation of 56.8% in Sept 2016, followed by inflation reaching 79.2% in October of that year. The depreciation in October 2020 was 47.4%, and the official exchange rate has remained stable since.	Net official reserves fell to USD6.75 billion in Feb 2021, resuming the downward trajectory seen prior to the bump based on Gov't borrowing and HSF withdrawals in 2020. Meanwhile, the money supply expanded 10% y/y in 2020, putting further pressures on the already overvalued TTD. Total exports fell by 36% y/y for Jan-Sept 2020, with energy exports down 40% y/y and non-energy exports down 21%. The current account surplus declined from USD1 billion in Jan-Sept 2019 to USD373 million in Jan-Sept 2020. The energy sector continued its secular decline in Q3 2020, with the Quarterly Economic Activity Index declining 20% y/y and posting growth in only 2 of the last 9 quarters. A 1.5% contraction was recorded in the non-energy sector, which has grown in only 3 of the last 23 quarters. Petrochemicals activity contracted 31% y/y, and Refining activity declined 20%, dragging down overall manufacturing activity by 19% y/y. Excluding these activities, Manufacturing grew only 1.6%. Construction activity grew 12%, mainly driven by public sector activity.
TOURISM	Stay-over: 2020: 91,886 (Nov) -67.1% y/y Cruise pax: 2020: 449,271 (Sept) -66.6% y/y	n/a	Stay-over: 2020: 91,886 (Jun) -44.7% y/y Cruise pax: 2020: 45,580 (Nov) -36.3% y/y
GROWTH	-10.2% (2020 prelim. est.)	-12.5% (2020 prelim. est.)	-10% (2020 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	EPOC does not anticipate the economy will recover to pre-pandemic levels before FY2023/24. The IMF is forecasting growth at 3.6% in 2021 and 3.8% in 2022. Fitch is forecasting growth at 4.5% in 2021, and 5.2% in 2022.	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.	We expect the economy to have contracted by at least 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.