

DIVERSIFYING INTO THE KNOWLEDGE ECONOMY – CAYMAN GETS IT RIGHT AGAIN

The Cayman Islands economy is driven mainly by the financial services sector and tourism, with the construction sector having the largest economic multiplier. The population of the Cayman Islands varies somewhat and reached roughly 70K pre-pandemic, with a GDP/capita close to USD90K. The overall unemployment rate was 3.5% in 2019, with roughly half the population classified as non-resident/work-permit holders. In other words, job creation for Caymanians is not a major challenge in Cayman. The challenge is in creating a shift towards higher-paid employment for residents, supported by a knowledge-based economy. And this is exactly what Cayman Enterprise City (CEC) has devoted the past 10 years to, demonstrating just how great a role the private sector can play in solving our socio-economic problems.

As a privately-run inward investment promotion agency, CEC recently celebrated 10 years since it welcomed the first special economic zone (SEZ) company to the Cayman Islands. Over the period, it has achieved an economic impact of USD662 million. After a decade of growth, CEC has improved the competitiveness of the Cayman Islands and is now home to the largest innovation ecosystem in the region.

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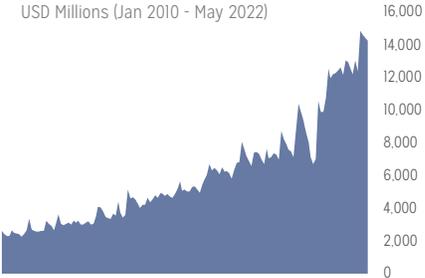
Importantly, CEC does not rely on Government funding and is a purely private initiative. Additionally, CEC supports a strong economic and business framework and progressive ecosystem without posing additional administrative burdens on Government. In 2021, total government revenues from CEC amounted to USD5.3 million, bringing the total since inception (2011-2021) to USD23.17 million. CEC reports its financial statements and economic impact annually, and there is annual public reporting since 2013 on how Government concessions for CEC SEZ members are deployed.

Through its Enterprise Cayman initiative (which is now a stand-alone non-profit), CEC is actively preparing the local workforce for industries of the future, promoting lifelong learning and greater economic mobility. Enterprise Cayman has placed over 100 students in high-impact internships working directly with industry professionals, while 10 scholarships that fully support tech careers in the Cayman Islands were awarded in 2021. 255 students and adults benefitted from interactive workshops, mentorships, internships, and work placements through CEC in 2021. CEC won the Excellence Award in Environmental, Social, and Corporate Governance (ESG) Practices by the Financial Times' fDi Intelligence Magazine in 2021.

CEC is now home to over 280 SEZ companies and features a wide variety of globally significant businesses including blockchain development companies, some of the world's leading traders of virtual assets, three of the world's top 10 Decentralized Autonomous Organizations, one of the world's fastest growing web browsers, a world-renowned video production company, and the planet's fastest growing precious metals royalties company. Advanced communications, biotechnology, artificial intelligence, virtual reality, and high-tech manufacturing are all examples of industries active at CEC.

One of the fundamental challenges we face in this region is that of irrelevant and bloated institutions. CEC is a perfect example of an institution created, not by the Government, but by the private sector, which contributes to broad socio-economic development, economic diversification, and growth in meaningful and lasting ways. This is exactly the kind of institution that every country in the Caribbean needs if we are to cement ourselves on a path of sustainable socio-economic progress.

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	<p>The IMF projects real GDP to grow by 8% in 2022, particularly fuelled by the expected rebound of the tourism sector. For Q1 2022, tourist arrivals reached 1.35 million or 67% of the Q1 2019 level, with downside risks dominating, given the global economic slowdown as a result of the Russian-Ukraine conflict. In February 2022, inflation was only 3.78% y/y, however the IMF estimates inflation will reach 7.3% this year. In response, the government announced tax breaks and a reduction in VAT from 12% to 10% as a means of increasing consumer purchasing power. The IMF highlighted that the Govt had accumulated BSD938 million in arrears at end-2021. External debt ended April 2022 at USD4.6 billion - up 75% vs the pre-pandemic level. A partial guarantee from the IDB allowed the Govt to return to the international capital markets in June with a USD385 million dual-tranche bond. Higher external debt has supported int'l reserves to reach USD3.07 billion in April, though at rising costs, with the USD250 million series B note issued in June having a 13.5% yield at the time of writing.</p>	<p>For FY 2022/23, Govt is targeting a primary surplus of 1% of GDP, with revenue projections based on a continued recovery in tourism. Tourism arrivals for Q1 2022 reached 55% of 2019 levels. The UK supplied 51% of tourists, but the Bank of England's recent forecast for 11% inflation by October could soften UK arrivals. Growth in Q1 2022 was 11.8%, which is 95% of the Q1 2020 level. Manufacturing posted strong results, surpassing Q1 2019 and Q1 2020 levels. Construction continued to recover and the pace of execution of major projects will continue to determine the 2022 outlook. International reserves remain strong at USD1.29 billion, though growth has mainly been the result of multilateral inflows and external borrowing. Gross public debt rose sharply to 136.3% of GDP in FY2021/22 as GDP contracted 14% y/y. For FY2021/22, total govt revenue increased by 10%, recovering to 95% of pre-COVID levels. Inflation was 4.2% in March 2022, but rising food and energy prices will create further pressures domestically and could dampen domestic economic activity.</p>	<p>Inflation reached 11.2% y/y in Q1 2022. Housing and utility prices were up by 20.1%, and transport prices 15.7%, with electricity, water and fuels prices surging. Food inflation remained relatively low at 4.9%. For Q1 2022 relative to Q1 2021, merchandise imports increased by 16.7%, mainly due to a 74% increase in imports of mineral fuels. Imports of consumption goods also increased in Q1 2022 by 14.8%. The ESO estimated GDP growth of 1.7% in the first 3 quarters of 2021, with the strongest performance from real estate activities, construction, and business activities. The value of building permits for Jan-Sept 2022 was 85% higher than Jan-Sept 2019, which augurs well for future construction activity. The hotel & restaurant sector contracted 81.1% y/y as air arrivals fell 94.5% between 2020 and 2021. The financing & insurance services sector (the largest contributor to GDP) grew 2.4% y/y from Jan-Sept 2021. Govt has borrowed USD403 million for 15 years fixed at 3.25% to fund capital expenditure. This is expected to take debt/GDP to around 10%.</p>
TOURISM	<p>Stay-over: 2021: 886,629 @ 53% of 2019 2022: 146,624 (Mar) @ 68% of 2019</p> <p>Cruise: 2021: 1,115,181 @ 21% of 2019 2022: 1,003,441 (Mar) @ 68% of 2019</p>	<p>Stay-over: 2021: 144,842 @ 21% of 2019 2022: 114,457 (Mar) @ 55% of 2019</p> <p>Cruise: 2021: 105,890 @ 15% of 2019 2022: 141,225 (Apr) @ 50% of 2019</p>	<p>Stay-over: 2021: 17,308 (Dec) @ 3.4% of 2019 2022: 66,121 (Apr) @ 34% of 2019</p> <p>Cruise: 2021: 0 2022: 62,360 (Apr) @ 8% of 2019</p>
GROWTH	-23.8% (2020) / +13.7% (2021 est)	-18% (2020) / -1.8% (2021 est)	-6.7% (2020) / +1.2% (2021 est)
RESERVES	<p>External Reserves USD Millions (Jan 2010 - Apr 2022)</p> <p>Source: Central Bank of The Bahamas, Marla Dukharan</p>	<p>International Reserves USD Millions (Jan 2010 - Apr 2022)</p> <p>Source: Central Bank of Barbados, Marla Dukharan</p>	<p>Foreign Reserve Assets USD Millions (Dec 2017 - Mar 2022)</p> <p>Source: CIMA, Marla Dukharan</p>
OUTLOOK	<p>We expect the economy to grow 5% in 2022 and 4% in 2023 backed by reconstruction and continued tourism recovery, leaving the level of economic activity ~7% below its 2019 level. The IMF forecasts 8% growth for 2022, 4.1% for 2023, averaging 2% to 2027.</p>	<p>The government expects growth of 7-9% in 2022, with a medium term average of 3% per year thereafter. The IMF forecasts 11.2% growth for 2022 and 4.9% for 2023, averaging 1.8% to 2027.</p>	<p>Growth is forecast to accelerate to 5% in 2022 and then average 3.2% through 2025, backed by construction activity and the gradual recovery of tourism.</p>

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	<p>Hurricane Agatha caused severe flooding in June 2022. Damages mostly impacted housing and roadways, with agriculture in certain areas benefitting from the rainfall. Food supply shock caused by the Russia-Ukraine conflict and rising prices have compounded existing food shortages in Cuba. Official data reports inflation in April 2022 reached 23.69% y/y. The food price index was up by 39.06%. A deficit of power generation capacity and a lack of fuel to power plants continues to cause outages and scheduled cuts. Govt has pointed to a lack of financing as the primary reason for delays in maintenance and investment in additional capacity. In May 2022, Russia approved deferrals on Cuba's payment of bilateral debts. Russia loaned over USD2.3 billion to Cuba between 2006 and 2019. The recovery in tourism remains weak. Total tourist arrivals from January to March 2022 reached only 24% of 2019 levels. In 2021, 41% of tourist arrivals were from Russia. For Jan-April 2022, arrivals from Russia have fallen 30% y/y.</p>	<p>The Central Bank raised the monetary policy rate from 5.50% to 6.50% to lower the risk of overheating, demand-driven inflation, and capital flight. In May 2022, inflation stood at 9.47% y/y, down from 9.64% in April. Core inflation stood at 7.29% y/y. Economic activity increased by 5.8% for Jan-Apr 2022, bolstered by tourism, construction, retail, transport, and free zones. The external position was robust, with the current account deficit financed by FDI and record-breaking remittances. The Central Bank expects remittances to total USD10 billion in 2022, with USD4 billion received from Jan-April. Reserves ended May at USD14.4 billion. The Dominican Republic is leading the Caribbean in its tourism recovery, with arrivals for Jan-May 2022 reaching 97% of 2019 totals. The IMF is still projecting growth of 5.5% this year. Debt/GDP has been falling since 2020 and reached 47.1% in April 2022. Labour markets continue to improve with unemployment falling to 6.4% in Q1 2022 and 227 thousand net job gains y/y.</p>	<p>In April 2022 inflation reached 7.5% y/y, with food inflation reaching 13.8%. A World Food Program survey found that food insecurity has deepened with 23% of respondents having gone a day without eating in the prior month; a dichotomy while CARICOM member states look to Guyana in their push for greater regional food security. The macro-financial sector is stable with non-performing loans declining from 10.8% in Dec 2020 to 6.75% in Mar 2022. Credit to the private sector expanded 11% y/y in April 2022. Commercial bank loans to the business sector grew 23% y/y. The current account deficit widened significantly in 2021 due to higher capital imports, partly related to the oil sector, but the new SDR allocation offset this. Reserves reached USD611.5 million in April 2022, falling by 21% since January. The Natural Resource Fund hit USD643.98 million in May 2022. For Jan-Mar 2022, total exports were valued at USD1.3 billion vs imports of USD0.73 billion. Public debt stood at 42.9% of GDP at end-2021.</p>
TOURISM	<p>Stay-over: 2021: 356,470 @ 8.3% of 2019 2022: 564,847 (May) @ 24.7% of 2019</p> <p>Cruise: n/a</p>	<p>Stay-over: 2021: 4,994,309 @ 77% of 2019 2022: 2,340,697 (Apr) @ 95% of 2019</p> <p>Cruise: 2021: 333,134 (Dec) @ 30% of 2019 2022: 321,920 (Mar) @ 84% of 2019</p>	<p>Stay-over: 2021: 106,428 (Sept) @ 46% of 2019</p> <p>Cruise: n/a</p>
GROWTH	-10.9% (2020) / +2% (2021 est)	-6.7% (2020) / +12.3% (2021)	43.5% (2020) / +19.9% (2021)
RESERVES	n/a	<p>Net International Reserves USD Millions (Jan 2010 - May 2022)</p>  <p>Source: Central Bank of the Dominican Republic, Marla Dukharan</p>	<p>Net International Reserves USD Millions (Jan 2015 - Apr 2022)</p>  <p>Source: Bank of Guyana, Marla Dukharan</p>
OUTLOOK	<p>Govt expects growth of 4% in 2022, while UN ECLAC projects 3.5%. Recovery beyond this depends mainly on FDI, tourism, investments in agriculture and power generation, international relations / sanctions, and Russia's invasion of Ukraine.</p>	<p>The external sector will continue to see robust activity, with the recovery of tourism to continue in 2022. Geopolitical tensions have lowered GDP forecasts from 5.5% for 2022 to 5%. Growth will remain around 5% over the next 3 years.</p>	<p>Bank of Guyana projects growth of 47.5% in 2022, with non-oil GDP up 7.7%. The World Bank forecasts 49.7% growth in 2022 and 25% in 2023. The IMF forecasts 47.2% growth in 2022, 34.5% growth in 2023, and 3.7% average to 2027.</p>

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	<p>Inflation reached 11.8% y/y in April, with electricity, gas, and other fuel prices up 25.4% y/y. Price pressures have been steadily increasing since Dec 2021 amid global supply chain constraints and the Russia-Ukraine conflict. In May 2022, the Bank of Jamaica hiked its policy rate from 4.50% to 5.00% in an effort to lower the largely supply-side or imported inflation. The measure is also expected to curb the pace of depreciation of the JMD, which had depreciated by 2.8% y/y to JMD155.48:USD1.00 at the end of May. Net international reserves increased in May 2022 to USD3.757 billion or 28.5 weeks of goods and services imports. Growth is projected by the BOJ to reach 7-10% for FY2021/2022 and 2-4% for FY2022/2023. The unemployment rate in October 2021 fell to an all-time low of 7.1%. Jamaica's debt/GDP ratio fell to 96% in March 2022 as compared to 110% in March 2021. Tourism has rebounded to nearly 70% of pre-pandemic levels. The remittance inflow remains strong at USD1.08 billion for Jan-Apr 2022, which is 43% above Jan-Apr 2019 levels.</p>	<p>Real GDP growth is expected to reach 1.8% in 2022, following two years of contraction (-15.9% in 2020 and -3.2% for 2021). The Govt has committed to achieving a primary surplus of 1.7% of GDP for 2022. Headline inflation at April 2022 was 61.1% y/y, however exchange rate stability and efforts to drain liquidity have led to a progressive fall in m/m inflation since Aug 2021. The SRD has depreciated 1.7% since Dec 2021 to SRD22.06:USD1.00 in May. Food prices increased by 60.9% y/y, and housing and utilities prices rose by 119% y/y. The rise in energy prices globally is likely to further stoke inflation in 2022, with the IMF projecting a deterioration of the current account balance of 0.9% of GDP in 2022. Foreign currency reserves were USD417 million in Apr 2022, strengthened by the SDR allocation and disbursements under the IMF's EFF. The IMF estimates that usable international reserves will rise steadily to around 8.5 months of imports by end-2024. Total debt/GDP stood at 131.3% in March 2022, with external debt/GDP at 83.5%.</p>	<p>Higher energy prices have been somewhat eroded by lower-than-expected energy production. For the fiscal year to May 2022, oil prices were 40% above budget, while gas prices were 43% higher. Production for this fiscal year to May 2022 is 29% below budget for oil and 21% below for gas. LNG production has fallen consistently from 1.6 million cubic meters in Jan to 1.2 million cubic meters in April. A recovery in production based on rising prices is not likely, dampening hopes of a fiscal revenue windfall, which in any event does nothing to solve the longstanding structural problems facing the economy. Hopefully the Govt will honour its commitment to clear arrears on VAT refunds, etc. Cement sales in Q1 2022 remained 4% below Q1 2020 levels. New vehicle registrations Jan-Apr 2022 were 30% below 2019 levels. Manufacturing capacity utilization rates ended 2021 at only 66%. March 2022 inflation stood at 4.1% y/y with food inflation reaching 7.9% and housing prices up by 6.7%. Rising fertilizer prices will continue to stoke food price inflation.</p>
TOURISM	<p>Stay-over: 2021: 1,464,399 @ 55% of 2019 2022: 510,401 (Mar) @ 72% of 2019</p> <p>Cruise: 2021: 70,766 @ 4.5% of 2019 2022: 99,798 (Mar) @ 15.9% of 2019</p>	n/a	<p>Stay-over: 2021: 40,621 @ 10% of 2019 2022: 69,969 (May) @ 42% of 2019</p> <p>Cruise: 2021: 0</p>
GROWTH	-10% (2020) / +4.4% (2021 est)	-15.9% (2020) / -3.5% (2021)	-7.4 (2020) / -1% (2021 est)
RESERVES	<p>Net International Reserves USD Millions (Jan 2010 - May 2022)</p> <p>Source: Bank of Jamaica, Marla Dukharan</p>	<p>Foreign Currency Reserves USD Millions (Jan 2010 - Apr 2022)</p> <p>Source: Centrale Bank van Suriname, Marla Dukharan</p>	<p>Net Official Reserves USD Millions (Jan 2010 - May 2022)</p> <p>Source: Central Bank of Trinidad and Tobago, Marla Dukharan</p>
OUTLOOK	<p>BOJ expects growth of 2-4% in FY 2022/23 as the tourism recovery strengthens. GDP could return to pre-COVID levels in FY2022/2023. The IMF forecasts 2.5% growth in 2022, 3.3% in 2023, averaging 1.6% to 2027.</p>	<p>The IMF program underway supports recovery from the debt / balance of payments crisis. The IMF projects growth of 1.8% in 2022, 2.1% in 2023, averaging 3% to 2027.</p>	<p>The IMF forecasts growth of 5.5% in 2022, 3% in 2023, then averaging 1% to 2027. We expect a balance of payments crisis to develop this year, absent significant reforms and economic recovery.</p>

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