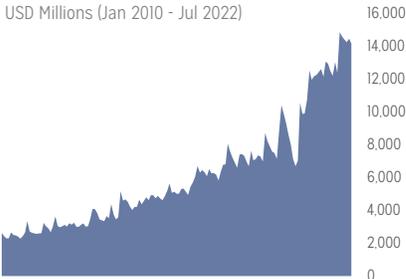
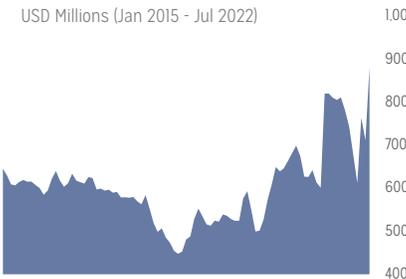


## ONE WISH FOR T&T FISCAL BUDGET FY2022/2023 – PLEASE, MAKE IT MAKE SENSE

The recent [“Spotlight on the Economy”](#) highlighted many important economic developments and data, and I thank and congratulate the Gov’t of T&T for this effort. But this exercise also revealed inconsistencies and unnecessary untruths. “Our credit rating is improving. Our revenue is increasing. Our economy is in growth mode. Inflation is being kept at bay. The fiscal accounts are almost in balance,” for example, [according to the Minister of Finance](#). Here are the facts:

1. The Gov’ts credit rating according to S&P was *maintained* at BBB- in July 2022 (the lowest level of investment grade) and the outlook was changed from negative to stable, based on “significantly higher energy and petrochemical prices, which will more than offset lower-than-expected energy production...spur improved incomes and stronger Government revenue collection...helping to stem the rise in Government debt.” This improvement in the credit rating outlook was based on pure luck, therefore - not on Gov’t policy or efforts.
2. Gov’t’s fiscal position is improving based on higher energy prices, but it is unclear to what extent. [The Minister’s presentation](#) shows on page 17 that revenue is now expected at TTD51.5 bn, expenditure at TTD53.5 bn, and a deficit of TTD2 bn. The [presentation by the Permanent Secretary](#) shows on page 4 however, revenue at TTD51.47 bn but expenditure at TTD55.19 bn, and a deficit of TTD3.72 bn. The difference of TTD1.72 bn is not insignificant. This discrepancy is not surprising - the Minister consistently counts financing items as revenue for example, to overstate revenue and understate the deficit. The Gov’t’s Draft Estimates of Revenue documents consistently show actual deficits (TTD5.6 bn in 2015, TTD12.6 bn in 2016, TTD19.6 bn in 2017, TTD12 bn in 2018, TTD9.5 bn in 2019, TTD23.9 bn in 2020, and TTD21.2 bn in 2021) well in excess of the Minister’s numbers in his Budget statement and otherwise. And what about the payment of VAT and other arrears? Will these be settled with all this unexpected revenue? This was not mentioned. With interest payments at TTD5.48 bn and an overall deficit of either TTD2 bn or TTD3.72 bn expected this fiscal year, the primary balance is therefore expected to yield a surplus of either TTD3.48 bn or TTD1.76 bn. But the Minister is targeting a primary surplus in 2023 and an overall surplus in 2024, meaning that he apparently unknowingly already surpassed his own primary fiscal targets!
3. The economy contracted for six consecutive years 2016-2021 inclusive, and further in Q1 2022 by -0.1% y/y, as the energy sector contracted -5.1%, and the non-energy sector grew 2.2% as the economy reopened. With natural gas production falling by 4.7% Jan-May 2022 y/y, the production of methanol, ammonia, and urea fell 8.7%, 8.6%, and 34.4% y/y, respectively. Natural gas and LNG production is averaging near 2003 levels, while crude oil production is about half the 2000 production level. Our economy has yet to record positive growth since 2015.
4. The Minister neglected to mention exactly how inflation is being “kept at bay.” The CBTT has kept its Repo rate unchanged and the fiscal stance is expansionary. [CBTT’s June 2022 Economic Bulletin](#) says “Headline inflation gained momentum during the first half of 2022...the CSO’s Index of Retail Prices showed that headline inflation moved from 3.8% in January 2022 to 4.9% in June 2022...while food inflation averaged 8.0%.” [The CSO shows](#) inflation climbed further to 5.9% in July, with food prices increasing by 10.3%. “Kept at bay” does not apply here.
5. Reserves reached USD6.7 bn in June, and if we back out Gov’t USD borrowing and withdrawals from our HSF, we would have around USD1.7 bn, which is what we had 20 years ago, and is only about 2 months of import cover. The money supply to reserve ratio reached TTD14.55:USD1.00 in May 2022, demonstrating the pressure building on the exchange rate. And finally, and most disturbingly, our country continues to haemorrhage USD that the authorities are unable to account for. CBTT [reported](#) USD956 million in Net Errors and Omissions for 2021. This amounts to USD2.2 bn lost in the past 3 years alone. S&P reported Errors and Omissions outflows averaged 7% of GDP annually over the past 10 years. But nobody talks about this. I do hope the Minister addresses this issue.

	THE BAHAMAS	BARBADOS	THE CAYMAN ISLANDS
UPDATE	<p>Momentum in tourism is increasing, as air arrivals Jan-July reached 77% of 2019 levels. Cruise arrivals reached 83% of 2019 levels, though disembarkation data are unavailable. For FY2021/22 the overall fiscal deficit shrank by 48.4%, reaching BSD689.5 million, as revenues increased relatively more than expenditure, supported by a 14.2% increase in VAT receipts. Fiscal consolidation measures for FY2022/23 are expected to further narrow the deficit. The weighted avg lending rate increased by 172 basis points in Q2 2022 vs Q2 2021, while y/y weighted avg deposit rates remained unchanged. June 2022 headline inflation reached 6.2%, with food prices up 13.6%, Transport prices up 15.5%, and Restaurant &amp; Hotel prices up 13.8%. Net Errors &amp; Omissions on the Balance of Payments increased y/y by BSD914 million in 2021 and already reached BSD591 million for H1 2022. Gov't is facing <a href="#">Gross Financing Needs</a> of BSD3.3 billion next year, BSD2.4 billion in 2024 and BSD2.3 billion in 2025.</p>	<p>Gov't introduced the BOSS+ bonds program for BBD200 million, offering an annual fixed interest rate of 4.5%. With the current IMF's Extended Arrangement of USD290 million set to end on Sept 30 after four years, Gov't indicated its intention to enter another arrangement at USD130 million, which will allow further access to around USD210 million via the Resilience and Sustainability trust. At end-June 2022, gross public debt was 129.4%/GDP with external debt at 42.9%/GDP, 10.8 p.p. above the June 2019 ratio. Gov't revenue increased by 20% (y/y) in Q2 with revenue from VAT up 43.5%. UN ECLAC <a href="#">highlights</a> that interest payments rose by more than 100% in real terms in the year to March. For Jan-July 2022, stay over tourist arrivals reached 56% of 2019 levels, with a noticeable uptick in tourists from the USA in July. The retail price index rose 11.5% y/y in June, led by Food prices up 18.6%, Transport 11%, and Housing &amp; Utilities 11%. UN ECLAC projects growth of 5.9% for 2022 compared to IMF's projection of 11.2%.</p>	<p>All COVID-19 related travel restrictions were lifted at the end of Aug with Gov't data showing 92.8% of the population &gt;5 years old received at least 2 doses of the vaccine. This is expected to provide a welcomed boost to tourism, which has been slowly recovering with air arrivals at only 40.7% of 2019 levels for Jan-Jun. For Q1 2022, GDP growth was estimated at 3.8%. This followed growth of 1.8% for all of 2021, mainly driven by the Construction and Real Estate sectors which grew by 7.9% and 6.3%, respectively. ESO currently <a href="#">projects</a> growth at 3.4% for 2022 and 3.0% for 2023. For July YTD the public sector recorded a surplus of KYD129.6 million, 24.2% higher than budgeted. Operating revenue for Jan-July increased by 3.9% y/y mainly on rising tourism and work permit revenues. A no-confidence motion was filed by the Opposition against the current Gov't on Sept 21 and will be debated in Parliament on Oct 5. The Speaker of the House is expected to resign on Sept 23 based on a request from the Premier.</p>
TOURISM	<p>Stay-over: 2022: 892,738 (Jul) @ 77% of 2019</p> <p>Cruise: 2022: 2,700,075 (Jul) @ 83% of 2019</p>	<p>Stay-over: 2022: 242,610 (Jul) @ 56% of 2019</p> <p>Cruise: 2022: 175,889 (Apr) @ 39% of 2019</p>	<p>Stay-over: 2022: 114,201 (Jun) @ 40% of 2019</p> <p>Cruise: 2022: 212,997 (Jun) @ 21% of 2019</p>
GROWTH	-23.8% (2020) / +13.7% (2021 est)	-18% (2020) / 1.4% (2021)	-6.7% (2020) / +1.8% (2021)
RESERVES	<p><b>External Reserves</b> USD Millions (Jan 2010 - July 2022)</p> <p>Source: Central Bank of The Bahamas, Marla Dukharan</p>	<p><b>International Reserves</b> USD Millions (Jan 2010 - July 2022)</p> <p>Source: Central Bank of Barbados, Marla Dukharan</p>	<p><b>Foreign Reserve Assets</b> USD Millions (Dec 2017 - June 2022)</p> <p>Source: CIMA, Marla Dukharan</p>
OUTLOOK	<p>We expect growth of 5% in 2022 and 4% in 2023, backed by Reconstruction and Tourism, with 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. ECLAC projects growth of 5.9% for 2022.</p>	<p>ESO currently <a href="#">projects</a> growth at 3.4% for 2022 and 3.0% for 2023, backed by Construction activity and the gradual recovery of Tourism.</p>

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	<p>Cuba received only 29% of 2019 traveller levels for Jan-Jul 2022 at 834,891, with Canadians accounting for 31% and Cuban diaspora 22%. After receiving 35,871 Russian tourists in Jan-Feb (#1 source market in Jan), only 2K additional Russian tourists visited from Mar-July. Official data put annual inflation in July at 32%, with food prices up 53%. Unofficial inflation <a href="#">estimates</a> are as high as 135%. Gov't began purchasing foreign currency in August at a near-black market rate of CUP120, but the <a href="#">black market price</a> surged to CUP180 by Sept 22. Currently, the Gov't is only buying, not selling. Massive investments needed in electricity infrastructure, low tourism revenues, reduced exports, and high commodity prices all exert further pressures on the currency, and inflation. The power utility UNE <a href="#">said</a> they do not have the necessary funding to repair damaged power generation assets, making the completion of Renewable Energy FDI projects a potential risk to sustaining economic activity.</p>	<p>The monetary policy rate was hiked in Aug by 25 basis points to 8%. A fall in annual inflation from this year's peak of 9.64% in April to 8.8% in Aug was recorded - still well above the targeted 3-5%. Restaurant &amp; Hotel prices rose 10.6%. Food prices were up 10.4%, and Transport prices rose 9.6%. Economic activity expanded for Jan-Jul 2022 by 5.5% y/y on average, driven by growth in the Hotels, Bars and Restaurant sector up 32.9%, Health up 11.4%, and Manufacturing Free Zones up 7.2%. The Mining and Quarrying sector contracted 10.9%. At the end of Aug 2022, international reserves remained robust, reaching USD14.02 billion, strengthened by remittances which reached USD6.5 billion for Jan-Aug, surpassing the 2019 level by 38%. For Aug 2022, the average exchange rate was DOP53.57:USD1, representing a 5.9% y/y appreciation. For Jan-Aug 2022, tourist arrivals were 4.9 million, 5% above 2019 levels. It is too early to determine the social and economic <a href="#">impacts of damages</a> from Hurricane Fiona.</p>	<p>The MoF revised projected growth from 47.5% to 56% for 2022 with the non-oil sector expected to grow by 9.6%, driven mainly by Rice and Construction. For H1 2022, the economy grew by 36.4%, with construction up 20.4% while manufacturing contracted by 11.4% due to a 55.9% fall in Sugar manufacturing and a 17.3% fall in Rice manufacturing. Output from these sectors is still recovering from flooding in 2021. Annual inflation in July was 5.7%, with Food prices up 9%, and Transport and Communication prices up 4% y/y. The balance of payments deficit widened in H1 2022 to USD100 million vs USD67.4 million in H1 2021, as outflows from the capital account increased mainly due to cost recovery to Esso Exploration and Production Guyana Limited, a subsidiary of Exxon Mobil. At the end of Aug, the natural resource fund balance was USD950 million. Public debt remained low at USD3.2 billion at the end of H1, an increase of 3.9% y/y, while external debt fell by 1.6% y/y.</p>
TOURISM	<p>Stay-over: 2022: 834,891 (Jul) @ 29% of 2019</p> <p>Cruise : n/a</p>	<p>Stay-over: 2022: 4,904,160 (Aug) @ 105% of 2019</p> <p>Cruise: 2022: 764,803 (Aug) @ 106% of 2019</p>	<p>Stay-over: 2022: 105,905 (May) @ 86% of 2019</p> <p>Cruise : n/a</p>
GROWTH	-10.9% (2020) / +1.3% (2021)	-6.7% (2020) / +12.3% (2021)	43.5% (2020) / +19.9% (2021)
RESERVES	n/a	<p><b>Net International Reserves</b> USD Millions (Jan 2010 - Jul 2022)</p>  <p>Source: Central Bank of the Dominican Republic, Marla Dukharan</p>	<p><b>Net International Reserves</b> USD Millions (Jan 2015 - Jul 2022)</p>  <p>Source: Bank of Guyana, Marla Dukharan</p>
OUTLOOK	<p>Gov't expects growth of 4% in 2022, while UN ECLAC projects 3%. 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 at 7.5%. 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% on average to 2027.</p>

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	<p>Jamaica recorded its 5th consecutive quarter of growth in Q2 2022 with GDP expanding 5.7% y/y (<a href="#">prelim</a>). Goods production was down by 0.4% mainly due to a 60.6% contraction in Mining / Quarrying based on the closure of the JAMALCO refinery. This was partly offset by 12.6% growth in Agriculture. The service industry grew by 7.7% driven by the Hotel &amp; Restaurant sector where real value added increased by 55.4% y/y. For summer 2022, tourist arrivals reached a historic high, <a href="#">surpassing 2019 figures</a>. Tourism revenues are now expected to reach USD4.2 billion for 2022. Jan-July 2022 total remittances declined 3.3% y/y. Annual inflation in Aug 2022 was 10.2% - above the BoJ's target of 4-6% - led by Hotel &amp; Restaurant prices up 19.3%, Transport prices up 15%, and Food prices up 12.2%. The policy rate remained at 6% since its last increase on Aug 18. In Aug 2022, foreign currency deposits fell to USD2.6 billion from USD3.8 billion in Jan, while foreign securities increased to USD1.5 billion from USD0.34 billion in Jan, maintaining the reserves at USD3.75 billion or 24 weeks of imports of goods &amp; services.</p>	<p>The SRD continued to depreciate, reaching SRD25.28:USD1 in Aug 2022 vs SRD21.53:USD1 in Aug 2021. For Jan-Jun 2022, tax revenue contributed 70.5% of Gov't revenue. On Aug 30, legislation was passed to replace the current Turnover Tax with a Value Added Tax (VAT) of 10%, starting January 2023. At the end of March, external debt was USD3.7 billion or 47.9% of GDP. For Jan-Jun 2022, Mining revenues accounted for 49% of total Gov't revenue. Interest payments and arrears combined account for 12% of revenues and UN ECLAC anticipates that interest payments will continue to rise with capital expenditure increases. Staatsolie is expected to initiate a five-year investment program estimated at USD1.5 billion, mainly for offshore development. Headline inflation reached 49.2% in July 2022, with prices for Housing and Utilities up by 224.5% y/y, prices of Food Away from Home up by 47%, and Transport prices up by 42.5%. Foreign currency reserves were 27.1% higher y/y in Aug 2022, reaching USD775.4 million, roughly 4 months of import cover.</p>	<p>The Central Bank <a href="#">reported</a> USD956 million in Net Errors &amp; Omissions on the balance of payments for 2021 (an outflow of USD they are unable to account for). For 2021, energy made up 80% of total exports as commodity prices increased sharply. Energy sector output continued to struggle in Jan-May 2022. With natural gas production falling by 4.7% y/y, the downstream sector was negatively affected, and production of methanol, ammonia, and urea fell by 8.7%, 8.6%, and 34.4% y/y, respectively. On average for Jan-July 2022 vs all of 2021, ammonia prices more than doubled, urea prices increased by 45.3%, and methanol prices increased by 15%. The MoF <a href="#">revised</a> its estimates for FY2022 with Gov't revenue projected to exceed prior estimates by 18% to reach TTD51.5 billion, and expenditure by 5.3% to reach TTD55.2 billion. The economy contracted in Q1 2022 by -0.1% y/y - the Energy sector contracted -5.1%, and the Non-energy sector grew 2.2% as the economy reopened. Inflation was 5.9% in July, with Food prices increasing by 10.3%, Home Ownership prices up 7.4%, and Transport prices up 8.6%.</p>
TOURISM	<p>Stay-over: 2022: 1,170,496 (Jun) @ 84% of 2019</p> <p>Cruise: 2022: 286,657 (Jun) @ 32% of 2019</p>	n/a	<p>Stay-over: 2022: 136,129 (Aug) @ 51% of 2019</p> <p>Cruise: 2022: n/a</p>
GROWTH	-10% (2020) / +4.4% (2021 est)	-15.9% (2020) / -3.5% (2021)	-7.4 (2020) / -4.7% (2021 est)
RESERVES	<p><b>Net International Reserves</b> USD Millions (Jan 2010 - Aug 2022)</p> <p>Source: Bank of Jamaica, Marla Dukharan</p>	<p><b>Foreign Currency Reserves</b> USD Millions (Jan 2010 - Aug 2022)</p> <p>Source: Centrale Bank van Suriname, Marla Dukharan</p>	<p><b>Net Official Reserves</b> USD Millions (Jan 2010 - Aug 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. Pre-COVID GDP levels could return in FY2022 /2023. The IMF forecasts growth of 2.5% in 2022, 3.3% in 2023, averaging 1.6% to 2027.</p>	<p>The IMF program underway supports a 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. <a href="#">Absent significant reforms to address unsustainable debt and the decline in reserves, we expect a debt restructure in the coming years.</a></p>

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