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STUDIES AND PERSPECTIVES 106

ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN

Economic Survey of the Caribbean 2021

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This document has been prepared under the supervision of Sheldon McLean, Coordinator of the Economic Development Unit of the Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean, with the assistance of Dillon Alleyne, Deputy Chief; Michael Hendrickson, Economic Affairs Officers; and Machel Pantin and Nyasha Skerrette, Economic Affairs Assistants.

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Abstract

This survey examines the economic performance of economies of the Caribbean in 2020 and the first few months of 2021 and comprises five chapters. The first chapter gives an overview of global, regional and subregional economic performance in the Caribbean. The second provides an analysis of the subregion's fiscal performance and debt burden. The third looks at monetary policy and their impacts. The fourth is focused on the external sector, while the fifth concludes.

I. Global and subregional performance

A. Global analysis and performance

Since April 2021 Economic prospects have diverged across countries with vaccine access emerging as the principal divide among countries. As a result, there are those countries that can look forward to further normalization of activity later this year, among these many advanced economies and those that will still face resurgent infections and rising COVID-19 death tolls.

While some countries are doing better than others the only durable solution is to have global coordination to assist those countries in need, but until now no such leadership has emerged. Slower-than-anticipated vaccine rollout would allow the virus to mutate further. In addition, financial conditions could tighten rapidly, for instance from a reassessment of the monetary policy outlook in advanced economies if inflation expectations increase more rapidly than anticipated. A double hit to emerging market and developing economies from worsening pandemic dynamics and tighter external financial conditions would severely set back their recovery and drag global growth below what is being projected.

It is now recognised that multilateral action has a vital role to play in diminishing divergence between advanced and developing economies in terms of recovery and strengthening global prospects. The main emphasis must be on ensuring vaccine equity worldwide. A welcome initiative is the $50 billion IMF staff proposal, endorsed by the World Health Organization, World Trade Organization, and World Bank, which provides support aimed at moderating the pandemic. Economies, like those of the Caribbean, that are financially constrained, need unimpeded access to international liquidity. The proposed $650 billion General Allocation of Special Drawing Rights at the IMF will increase much needed reserve assets of all economies and help address severe liquidity constraints.

The recent Conference of Parties (COP) meeting in Glasgow also makes clear that countries also need to redouble collective efforts to reduce greenhouse gas emissions. Additionally, multilateral actions can be reinforced by national-level policies tailored to help catalyze a sustainable, inclusive and green recovery. However, the policies must not be piecemeal, but must be concerted and well-directed to make the recovery durable for all societies. A two-speed solution with widening gaps—as most battle the health crisis and a few see conditions normalize will not be sustainable.

The global economy is projected to grow 6.0% in 2021 and 4.9% in 2022. Prospects for emerging market and developing economies suggest a decline in economic growth of -2.1% in 2020 and positive growth of 6.3% in 2021. At the same time, the estimate for advanced economies is -2.0% in 2020 and 5.6% in 2021. These projections reflect pandemic developments and changes in policy support.

In the case of the United States, the estimates are a 3.5% decline in growth in 2020 and a 7.0% increase in 2021.The slowest growth was in Euro Asia of a decline of 6.5% in 2020 and an increase of 4.5% in 2021 largely due to supply chain disruptions due to the resurgence of the COVID-19 pandemic in several countries. Latin America and the Caribbean will fare slightly better, for a change, 5.9% increase in 2021 following a 6.8% decline in 2020. Of course, these countries are starting from a lower economic base and growth needs to be more robust to return countries to a pre pandemic level of growth.

Table 1
Global economic performance and prospects, 2019-2021
(Percentages)

	2019	2020	2021
Advanced Economies	1.6	-4.6	5.6
Emerging market and Developing countries	3.7	-2.1	6.3
Euro area	1.3	-6.5	4.6
Latin America and the Caribbean	0.1	-6.8	5.9
United States	2.2	-3.5	7.0
World	2.8	-3.2	6.0

Source: International Monetary Fund, World Economic Outlook Update, July 2021, Economic Commission for Latin America and the Caribbean, 2021.
Note: Projections for 2021.

B. Caribbean growth performance and prospects

The Caribbean economies except for Guyana have been hit hard by the global crisis and experienced negative growth in 2020. The Caribbean excluding Guyana contracted by 11.3% in 2020 and is expected to grow at 2.7% in 2021.When Guyana is included the growth rates are -7.5% in 2020 and 4.2% in 2021. Much of this positive growth in 2021 will depend on the normalization of tourist arrivals and an uptick in primary commodity prices including gold and hydrocarbon prices. The service producers have been more severely affected than the good producers in terms of economic performance as they declined by 13.4% in 2020 and are expected to grow by 3.3% in 2021. Meanwhile, the goods producers declined by 1% in 2020 and will grow by 4.9 % in 2021, but when Guyana is excluded the performance for the two years will be -11.3% and 2.7% respectively.

In 2020 all the Caribbean economies experienced a decline largely due to the COVID-19 impacts with Guyana being the exception due to its large hydrocarbon deposits as it grew by a fantastic 43.5% and is expected to grow by 16% in 2021. Among Caribbean countries, there were historic declines in economic activity in 2020. For example, Saint Lucia declined by 23.8%, and Anguilla by 29.8%. In 2021, in addition to Guyana, the other Caribbean economies, except for Suriname (-1%) which is mired in an economic crisis, are expected to post positive growth. However, given the lower base from which they are starting, most economies will remain below 2019 levels. The largest increase is expected to be in

Anguilla with 13.4% while the slowest positive performer is expected to be Antigua and Barbuda with growth of 1%.

Table 2
Caribbean GDP growth rates, 2020-2021
(Percentage)

	2020	2021[a]
Anguilla	-29.8	13.4
Antigua and Barbuda	-20.2	1.0
Bahamas	-14.5	2.3
Barbados	-17.6	3.0
Belize	-14.0	2.7
Dominica	-16.6	4.3
Grenada	-13.8	4.7
Guyana	43.5	16.0
Jamaica	-9.9	4.0
Monserrat	-7.9	4.5
Saint Kitts and Nevis	-14.4	3.3
Saint Lucia	-23.8	3.6
Saint Vincent and the Grenadines	-3.3	3.0
Suriname	-14.5	-1.0
Trinidad and Tobago	-6.8	2.5
Caribbean[b]	**-7.5**	**4.1**
Goods Producers	**-1.0**	**4.9**
Service Producers	**-13.4**	**3.3**
Caribbean excluding Guyana	**-11.3**	**2.7**
Goods producers excluding Guyana	**-8.7**	**1.9**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
[a] Forecast.
[b] Aggregates are weighted averages.

C. Unemployment

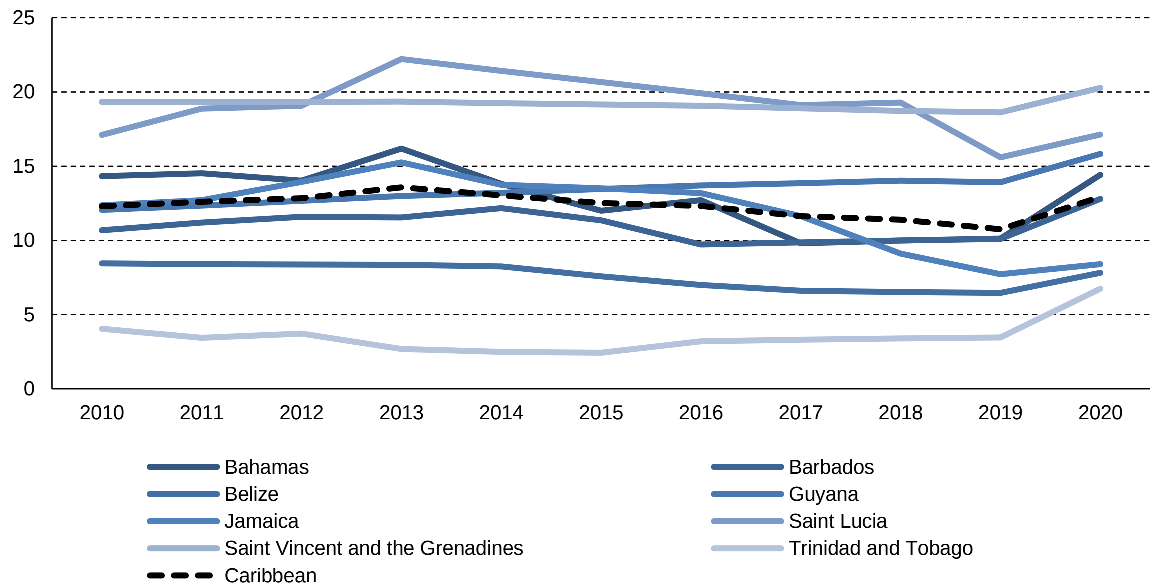
Average unemployment rates in the Caribbean have trended down over time as countries before the pandemic were experiencing some positive growth. Average unemployment which was 12.2% in 2010 rose to 13% in 2012 then began a slow decline to 10.7% in 2019. As expected average unemployment rose to 12.9% in 2020 (figure 1).

Among the individual countries, Trinidad and Tobago has historically had the lowest rates relative to the rest of the Caribbean and since 2015 there has been a steady increase with a dramatic jump from 2019 to 2020.Notwithstanding it is the lowest in the Caribbean at 6.7%.

Saint Lucia and Saint Vincent has historically maintained high rates of unemployment especially among the youth. In 2019 the rates were 15.6% and 18.6% respectively and in 2020 these jumped to 17.1% and 20.3%.

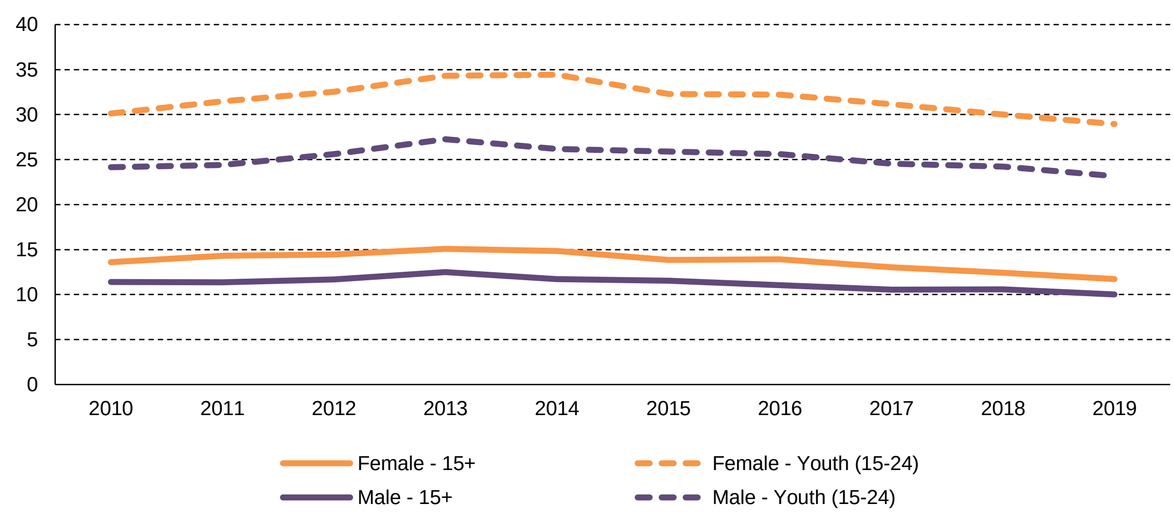
Given the high dependence on tourism among most Caribbean economies, the impact of the COVID-19 pandemic on employment has been severe especially for women who tend to dominate the service sector.

Figure 1
Unemployment rates, 2010-2020
(Percentages)



Source: International Labour Organization.

Figure 2
Caribbean unemployment rates by age and sex, 2010-2019
(Percentages))



Source: International Labour Organization.

II. Fiscal and debt performance

This section analyses the recent fiscal performance against the backdrop the sharp contraction and fiscal fallout in 2020 and the modest economic recovery from the COVID-19 pandemic in 2021 and how this might impact prospects for governments to achieve fiscal adjustment and debt consolidation in the medium-term.

A. Fiscal

The severe health and economic fallout from the pandemic led to significant fiscal expansion and growth in public debt to mitigate its effects. The overall median deficit expanded from 2.6% of GDP in 2019 to 6.4% of GDP in 2020. The deficit increased in eleven of the thirteen countries under review.

The goods producers were the main drivers of the deficit, registering an increase of 6.2 percentage points to 9.8% of GDP. In the service producers, the deficit rose by 3.8 percentage points to 5.5% of GDP. Trinidad and Tobago, Belize and Guyana spearheaded deficit growth in the goods producers with increases of 8.6, 5.5 and 5.1 percentage points, respectively. In Trinidad and Tobago, the deficit stemmed from an 8.5 percentage points decline in revenues and a 1.7 percentage point increase in expenditure, as government sought to establish a parallel health care system and provided relief to deal with the pandemic. In Belize, a sharp fall in revenues alongside modest growth in pandemic-induced spending led to the burgeoning deficit. Guyana's deficit was propelled by a 15.3% increase in current spending to alleviate the effects of the pandemic and a 5.5% fall in current revenue, as a collapse in business and other revenue due to the pandemic offset proceeds from income taxes in the oil sector.

The increase in the deficit in the service producers was driven mainly by hikes in Grenada, Barbados, Saint Lucia and Saint Kitts and Nevis. There was a reversal of fiscal consolidation in Grenada as pandemic-related expenditure led to a turnaround from a surplus of 5.1% of GDP in 2019 to a deficit of 4.6% of GDP in 2020. There was a sharp fall in revenues along with a spike in spending on health and social protection. Barbados' fiscal position shifted from a surplus of 3.7% of GDP to a deficit of 4.0% of

GDP. The collapse in activity due to the pandemic led to a fall in tax receipts amidst higher spending on health, social protection and capital works. St. Lucia's deficit reflected sharp fall in revenue, higher pandemic-related expenditure and growth in capital spending to nurture economic recovery. Similarly, the higher deficit in Saint Kitts and Nevis was due to a fall in revenues, including from the Citizenship by Investment Programme, alongside higher spending on health and social protection to deal with the pandemic.

Table 3
Fiscal deficit 2017-2021

	2017	2018	2019	2020	2021
Antigua and Barbuda	-2.4	-3.2	-3.8	-5.5	-5.7
Bahamas	-5.4	-3.3	-1.7	-6.6	-12.7
Barbados	-4.5	-0.3	3.7	-4.0	-1.2
Belize	-1.3	-0.9	-4.4	-9.8	-4.4
Dominica	2.3	-6.6	-15.0	0.6	0.0
grenade	3.0	4.9	5.1	-4.6	-0.6
Guyana	-3.3	-2.7	-2.8	-7.9	-6.5
Jamaica	0.5	1.2	0.9	-3.1	0.3
Saint Kitts and Nevis	1.8	3.0	0.6	-5.5	-4.2
St. Vincent and the Grenadines	-2.1	-1.6	-3.5	-6.4	-15.0
St. Lucia	-1.1	-1.8	-2.2	-9.7	-8.1
Suriname	-7.4	-10.1	-18.6	-9.7	-4.6
Trinidad and Tobago	-8.9	-3.6	-2.6	-11.1	-9.4
Caribbean	**-2.1**	**-1.8**	**-2.6**	**-6.4**	**-4.6**
Goods producers	**-5.4**	**-3.2**	**-3.6**	**-9.8**	**-5.5**
Service producers	**-1.1**	**-1.6**	**-1.7**	**-5.5**	**-4.2**

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

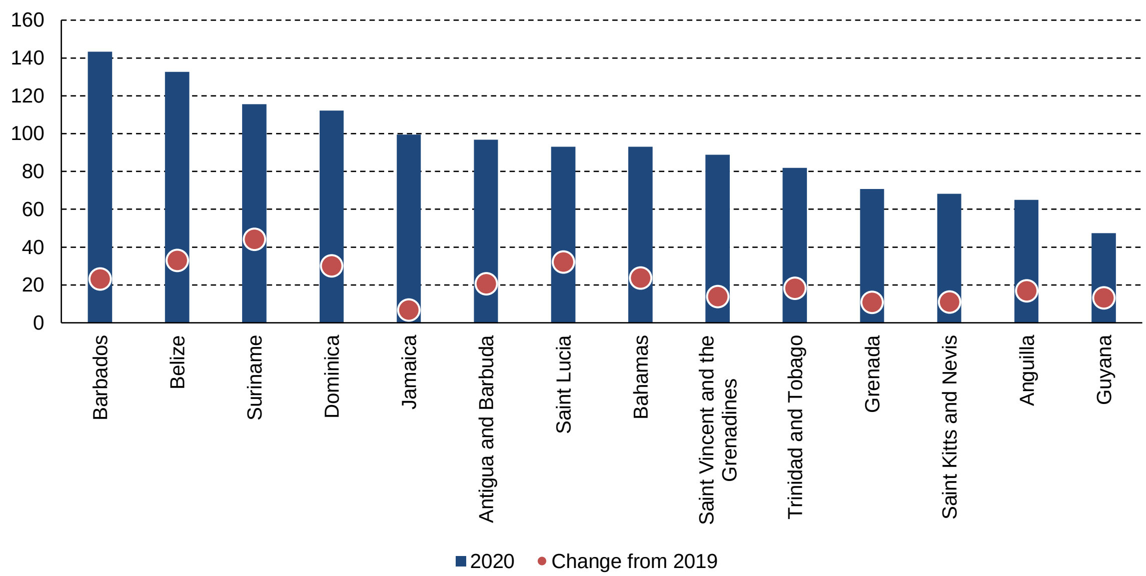
Across the region, the fiscal stance was marginally contractionary in 2021, as growth in expenditure slowed and tax receipts recovered with the partial opening of economies as vaccination allowed an easing of restrictions on domestic activity and international travel. The regional deficit fell from 6.4% of GDP to 4.6% of GDP. The deficit declined by 3.5 percentage points to 5.5% of GDP in the goods producers and by 1.3 percentage points to 4.2% of GDP in the service producers. The deficit in Belize and Suriname contracted by 5.5 and 5.2 percentage points, respectively, as both countries undertook adjustment to address mounting imbalance and debt. The deficit declined in the majority of service producers. The largest declines were registered in Grenada (4.0 percentage points), Jamaica (3.3 percentage points) and Barbados (2.8 percentage points).

B. Debt

High public debt remained one of the main macroeconomic challenges in 2020/21. The average public debt expanded sharply by 19.8 percentage points to 87.6% of GDP (see figure 3 below). In the goods producers debt expanded by 27.2 percentage points, driven mainly by a 44.2 and 33.0 percentage point increases in Suriname and Belize, as Trinidad and Tobago and Guyana, 18.2 and 13.2 percentage points registered more moderate growth in debt. The hike in the debt from 71.3% of GDP to 115.5% of GDP in

Suriname stemmed from severe macroeconomic imbalance resulting in a significant devaluation that led to an almost doubling of the foreign debt to GDP ratio. Therefore, Suriname defaulted on its debt in late 2020, leading to successive agreements to defer due debt service payments with its creditors. Belize also faced a debt crisis driven by substantial borrowing to cope with the pandemic and for infrastructure and election spending. As a result, the country was forced to restructure its debt and was successful in securing the largest debt for nature swap to date. Belize's $553 million Superbond debt has been reduced by around $200 million dollars. A portion of the savings will be used to expand marine conservation. Trinidad and Tobago's debt increased by 18.8 percentage points to 82.0% of GDP, while Guyana was up by 13.2 percentage points, as oil revenues moderated the need to acquire debt.

Figure 3
Total public debt, 2020
(Per cent of GDP)



Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

In the service producers, debt expanded by 17.2 percentage points to 85.2 % of GDP. St. Lucia's debt grew significantly by 32.1 percentage points as government undertook substantial borrowing to cope with the pandemic and also for election spending. Dominica's debt grew by 30.2 percentage points to 112.1% of GDP, spurred health and economic relief spending to mitigate the impacts of the pandemic. The debt increased by 23.6 and 23.1 percentage points in The Bahamas and Barbados, respectively. The hike in debt in the Bahamas stemmed from borrowing to cope with the pandemic and continued reconstruction from Hurricane Dorian. Growth in debt in Barbados reflected borrowing for health sector outlays and spending on relief for households and businesses to combat the effects of COVID-19.

C. Debt Service Payments

The average external debt service payments as a percentage of exports of goods and services expanded by 6.8 percentage points, rising from 7.1% in 2019 to 13.8% in 2020. The growth in debt service was mainly driven by the service producers, which registered an increase of 7.8 percentage points to 15.3% of exports of goods and services, compared with 4.1 percentage points for the goods producers.

Growth in debt service obligations in the service producers was fuelled mainly by The Bahamas, Antigua and Barbuda and Dominica. The Bahamas' debt service ratio expanded by a substantial 35.5 percentage points, reflecting significant external borrowing amidst a collapse in service exports, owing to the temporary closure of the tourism sector to ameliorate the effects of the pandemic. Tourism receipts plummeted by 76.5%, pulling down total exports of goods and services. In Antigua and Barbuda, the debt service ratio increased by 14.2 percentage points to 23.6% of exports of goods and services, owing to the spike in debt alongside a fall in export receipts, with the 58% and 65% decline in stayover and cruise tourist arrivals. Dominica's debt service ratio rose by 9.7 percentage points on account of the contraction of more foreign debt to deal with the pandemic and for infrastructure rehabilitation along with a 65% decline in visitor expenditure owing to the shutdown of the tourism sector.

Among the goods producers, Trinidad and Tobago's ratio expanded by 7.6 percentage points to 10.7% of exports of goods and services. Goods exports contracted due to an over 37% decline in energy receipts amidst lower international fuel prices and external borrowing increased to cope with the pandemic. Suriname's debt service ratio increased by 7.3 percentage points to 15.0% of goods and services, as significant growth in debt offset the improvement in the goods and services balance, which benefited from higher gold prices. Facing a major financial constraint, Suriname defaulted on its debt leading to downgrading of its sovereign credit rating. In 2021, the country concluded a three-year Extended Fund Facility (EEF) programme with the IMF in the amount of US$690 aimed at relieving its constraint in dealing with the pandemic and carrying out macroeconomic reforms. Meanwhile, Guyana (-1.6 percentage points) was the only country whose debt service ratio contracted in 2020, as it benefited from significant receipts from the new oil sector.

Table 4
External debt service payment ratios for the Caribbean
(Percentage of exports of goods and services)

	2015	2016	2017	2018	2019	2020
Anguilla	1.8	3.2	2.5	1.5	3.3	8.0
Antigua and Barbuda	3.8	6.2	9.1	8.0	9.3	23.6
Bahamas	4.2	4.3	17.3	7.8	5.2	40.8
Barbados	11.5	0.0	0.0	0.0	0.0	0.0
Belize	12.1	8.7	8.6	7.9	8.2	11.4
Dominica	7.1	8.1	10.2	14.7	14.6	24.3
Grenada	7.8	10.0	9.6	8.1	7.9	10.5
Guyana	7.6	3.4	3.8	5.1	4.4	2.7
Jamaica	61.5	21.4	22.4	17.9	23.2	26.5
Montserrat	0.3	0.3	0.3	0.2	1.2	1.7
Saint Kitts and Nevis	13.3	4.8	2.5	2.2	1.8	4.0
Saint Lucia	4.8	5.0	5.1	10.5	4.5	10.6
Saint Vincent and the Grenadines	9.4	9.4	12.1	11.4	11.2	17.9
Suriname	2.8	11.8	6.3	10.3	7.7	15.0
Trinidad and Tobago	1.3	1.7	2.0	2.2	3.1	10.7

	2015	2016	2017	2018	2019	2020
Caribbean	**10.0**	**6.5**	**7.4**	**7.2**	**7.1**	**13.8**
Goods producers	**5.9**	**6.4**	**5.2**	**6.4**	**5.8**	**10.0**
Service producers	**11.4**	**6.6**	**8.3**	**7.5**	**7.5**	**15.3**

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

In general, the modest economic recovery in 2021 if maintained in the short to medium-term could provide a platform for fiscal consolidation and debt retrenchment in the subregion, thereby creating an improved platform for growth and employment. Nevertheless, the region faces significant downside risks from the uncertainty created by other variants of COVID-19, the disruption of international supply chains, the evolution of fuel prices and severe liquidity constraints facing governments coupled with the major impact on the domestic private sector. These factors could dampen export receipts and tax collections, thereby complicating the fiscal adjustment process for governments.

III. Monetary Policy and Prices

Caribbean monetary policy in 2020 was focussed on aleviating the impact of the COVID-19 restrictions. Several economies implemented expansionary monetary and financial measures in order to increase liquidity in the monetary system; some of these measures were reversed in early 2021.

In 2020 the central banks of Barbados, the ECCU and Trinidad and Tobago reduced their monetary policy rates. In Barbados the discount rate on overnight lending to banks and deposit taking non-banks was lowered from 7% to 2%. The ECCB reduced its short-term discount rate from 6.5% to 2% and its long-term discount rate to 3.5%; and increased resources for credit extension to governments. In Trinidad and Tobago the policy rate was lowered from 5% to 3.5%.

Other countries used other methods to increase liquidity. Suriname lowered its domestic currency reserve requirement from 35% to 27.5%, before increasing it to 39% at the end of December 2020 in response to exchange rate and inflationary pressures. Guyana reduced reserve requirements from 12% to 10% until the end of December 2021. Belize reduced the statutory liquid asset and cash reserve requirements for commercial banks by 2 percentage points to 21.0% and 6.5%, respectively.

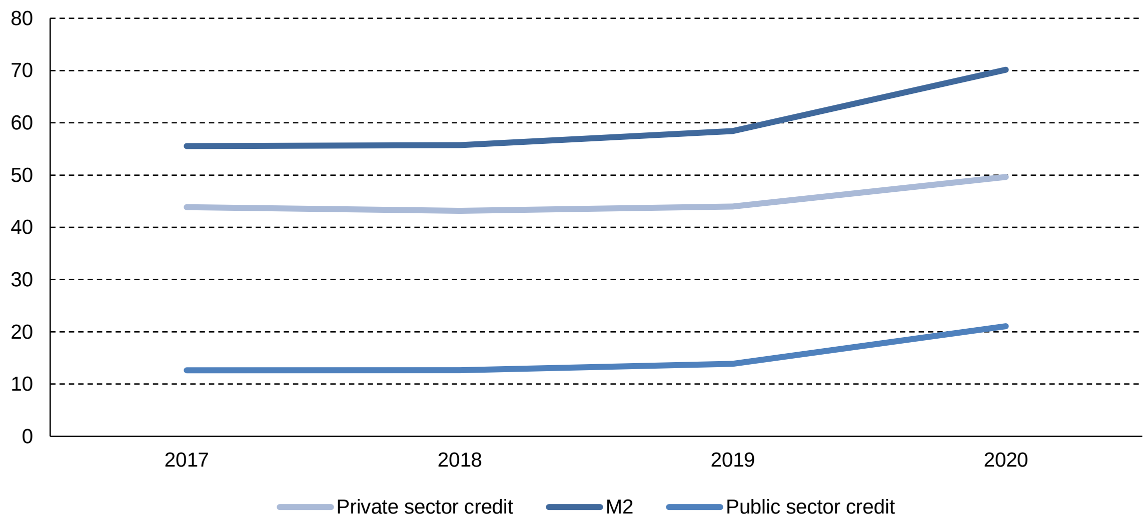
In Jamaica, the policy rates were kept unchanged, but the Bank temporarily increased the limit on the foreign currency net open positions (FXNOP) of authorised dealers by 5.0 percentage points. This effectively raised the limit on the positions of these institutions (either long or short) to 25.0 per cent of regulatory capital, thereby enabling authorised dealers to provide more foreign currency to their clients.

In several economies the monetary authorities arranged for commercial banks to provide debt service moratoriums to their customers.

A. Money supply and credit

The increase in liquidity was evident from the expansion in the M2 (narrow money plus savings deposits and time deposits) in the banking system Caribbean-wide. Monetary aggregates data for 2020 was unavailable for the ECCU countries at the time of writing. For the seven economies with data, M2 as a share of GDP grew by 11.7 percentage points to 70.2% in 2020 (figure 4). The largest increases were seen in Barbados and Belize, where M2 grew by 24.2 and 26.2 percentage points respectively to 131% and 111.5%. M2 as a percentage of GDP actually in Guyana by 5.9 percentage points to 36.6% due to the large expansion in GDP as a result of the commencement of oil exports.

Figure 4
M2 and domestic credit to the private and public sector, 2018-2019
(Per cent of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

The average domestic credit for the economies with available data expanded in 2020. Credit to the private sector increased to 49.6% after averaging 43.9% over the previous four years.The expansions in private sector credit mirrored those in M2, as the Barbados and Belize posted the largest increases (10.3 and 12.8 percentage points respectively.

Credit to the public sector grew to 21.1% in 2020 after averaging 12.8% from 2016 to 2019. The major driver in the increase was Suriname, which saw credit to the public sector increase by 23.7 percentage points to 44.3%. This increase was driven by increased domestic borrowing from the central government as well as currency depreciation.

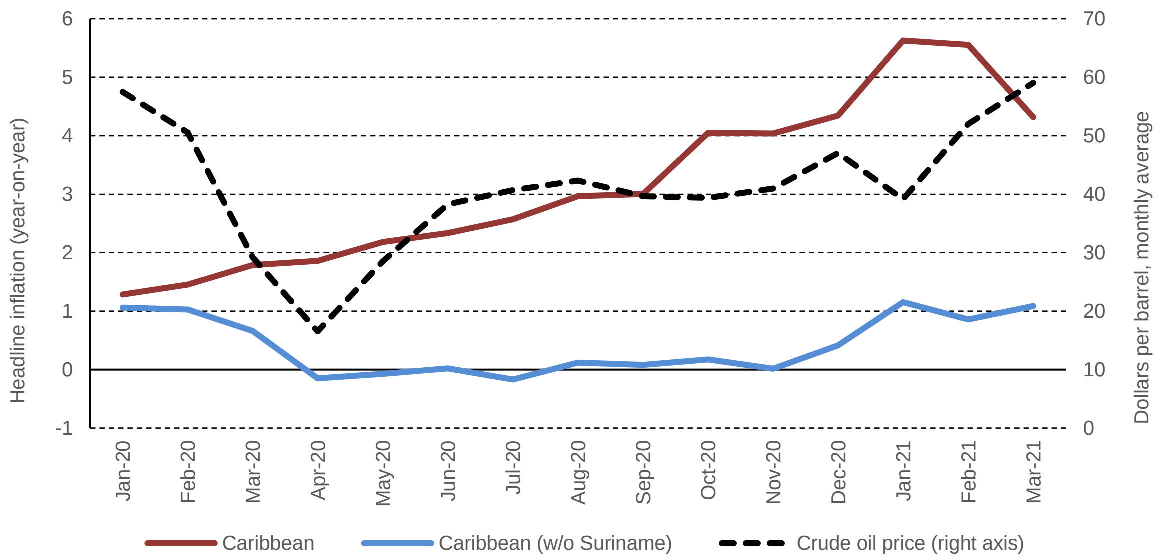
B. Inflation

Prices in the Caribbean were mostly flat in 2020, with some uptick in the first few months of 2021. Suriname was the chief exception and has experienced significant price inflation since the start of 2020.

For the Caribbean (excluding Suriname) average inflation in January 2020 was 1.1%. Inflation fell to 0.7% in April and -0.1 in April and May 2020 as the COVID-19 restrictions came into effect and were at their most stringent (figure 5). Prices were also impacted by the fall in international oil prices due to global border closures and a drastic fall in international travel in these months. Most Caribbean economies experienced deflation over this period. Since then, oil prices have rebounded and climbed steadily. Caribbean inflation remained around zero until November 2020, then returned to pre-pandemic levels of around 1%. The gradual easing of restrictions in several economies in the first few months of the year, along with increases in oil prices contributed to the increase.

Inflation in Suriname was recorded at 4.2% in January 2020, but began increasing sharply in March 2020, when it rose to 17.6%. The availability of US cash became severely limited in early 2020 and while the exchange rate remained fixed, the parallel exchange rate rose steeply causing the prices of imported goods to rise. The government tried a number of measures to reduce the parallel rate, including currency controls that were subsequently reversed. In September 2020, the authorities implemented a major devaluation of almost 90%; from 7.52 SRD to 1 USD to 14.29 SRD to 1 USD. Inflation in Suriname grew to 63.8% in January 2021 before falling to 50.4% by March 2021.

Figure 5
Inflation and West Texas intermediate oil prices, July 2019-July 2020



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

IV. External sector developments

A. Tourism arrivals

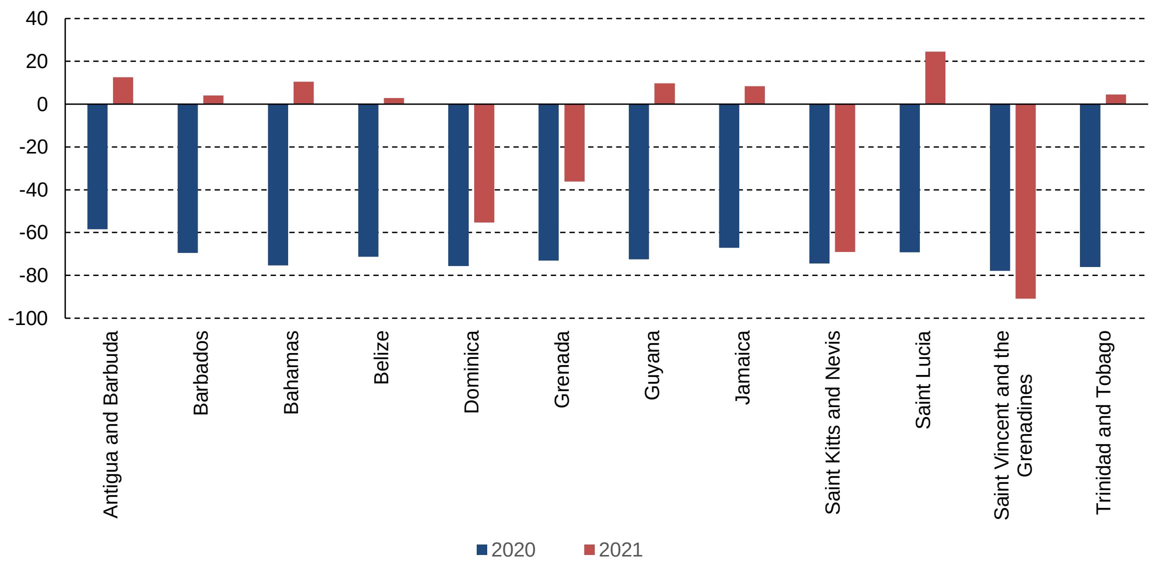
The road to recovery for the Caribbean's tourism sector in 2021 following the precipitous downturn in 2020 has been slow and marred by multiple waves of increased COVID-19 cases across major source destinations. Tourism stay-over arrivals contracted on average by 14.5% in 2021, a slower than expected improvement from a contraction of 71.7% in 2020. Performance was mixed across the subregion with economies such as Saint Lucia, Antigua and Barbuda and The Bahamas reporting double digit growth of 24.5%, 12.6%, and 10.5% respectively relative to 2020 albeit lower than pre-pandemic levels (figure 6). Driving these improvements was the increased vaccinations across source destinations, relaunching of the tourism industry at more destinations, and the restoration of some short-haul air capacity into the subregion. Caribbean tourism leaders have offered much support on introducing policies to stimulate the return of airlift to the subregion, fostering better market access and increasing regulatory harmonization across the subregion.

Alternatively, arrivals in economies such as Saint Vincent and the Grenadines, Saint Kitts and Nevis, The Commonwealth of Dominica and Grenada contracted substantially to 90.8%, 69.1%, 55.3% and 36.2% respectively relative to 2020. The weak performance of Saint Vincent and the Grenadines stemmed partly from disruptions due to the eruption of the La Soufriere volcano. Other factors contributing to the weak performance of these economies were slow restoration of air capacity, sluggish easing of restrictions and vaccine hesitancy.

The performance of the cruise industry has been extremely weak as the number of persons on ships have been reduced along with the number of calls. Cruise activity restarted in late 2020 with the implementation of strict measures requiring full vaccination among passengers and crew members along with other agreed protocols to reduce the spread of the COVID-19 virus. Cruise passenger arrivals contracted by 96.7% on average following a 44.1% contraction in 2020. All reporting economies observed more than 80% contraction in cruise passenger arrivals in 2021 relative to 2020. Among the destinations receiving cruise passengers, The Bahamas reported the most cruise visits of 246,723 persons (81.5% reduction relative to 2020) during the first nine months of 2021 (figure 7) while Saint Kitts and Nevis reported the least visits with 2,175 persons (99.2% reduction relative 2020). Countries such as Grenada, Saint Vincent and the Grenadines and Trinidad and Tobago reported no visits within the first nine months of 2021 due to continued restrictions for COVID-19 or due to the eruption of the La Soufriere volcano.

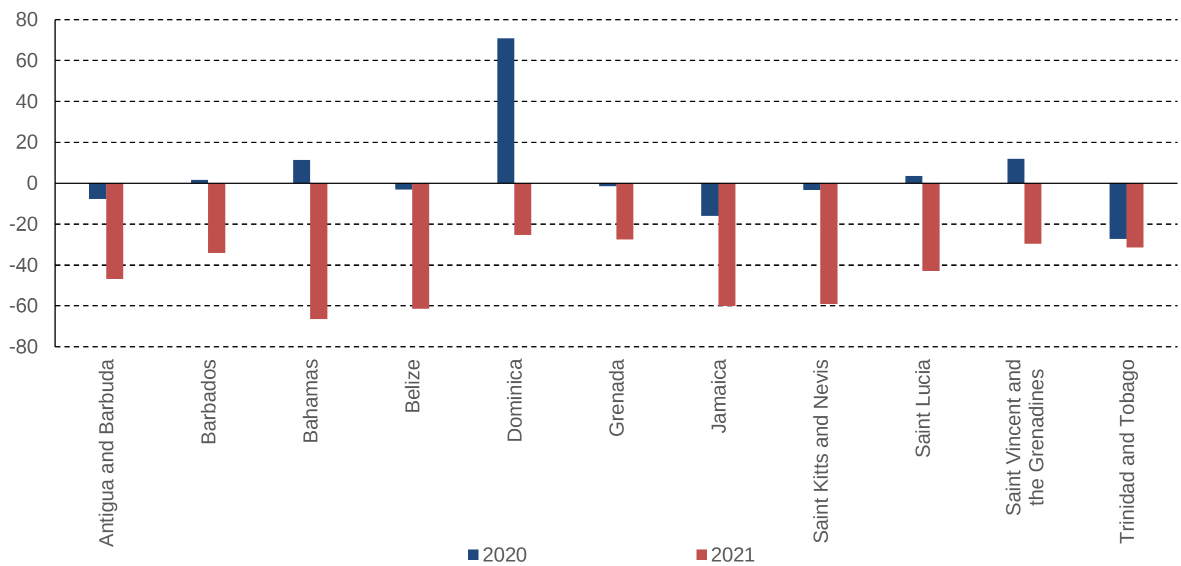
Among the thirteen Caribbean economies assessed, the outlook for the remainder of 2021 into 2022 for the tourism industry is uncertain given that the possibility of further waves of the COVID-19 pandemic resulting from continuous mutation of the virus. Once borders remain open, tourism performance will continue to improve given indications that the demand for travel to the region is present. However, re-introduction of restrictions will further slow recovery in the sector. Moving forward, a robust recovery in the sector will be dependent on the continued advancement of health and safety protocols, restoring traveller confidence, promoting regional collaboration to support this recovery, and increased governmental support to address increases in operational expenses.

Figure 6
Year-on-year growth in tourism stay-over arrivals, 2020-2021
(Percentage)



Source: Caribbean Tourism Organization; Eastern Caribbean Central Bank; Central Bank of Barbados

Figure 7
Year-on-year growth in cruise ship arrivals, 2020-2021
(Percentage)



Source: Caribbean Tourism Organization; Eastern Caribbean Central Bank

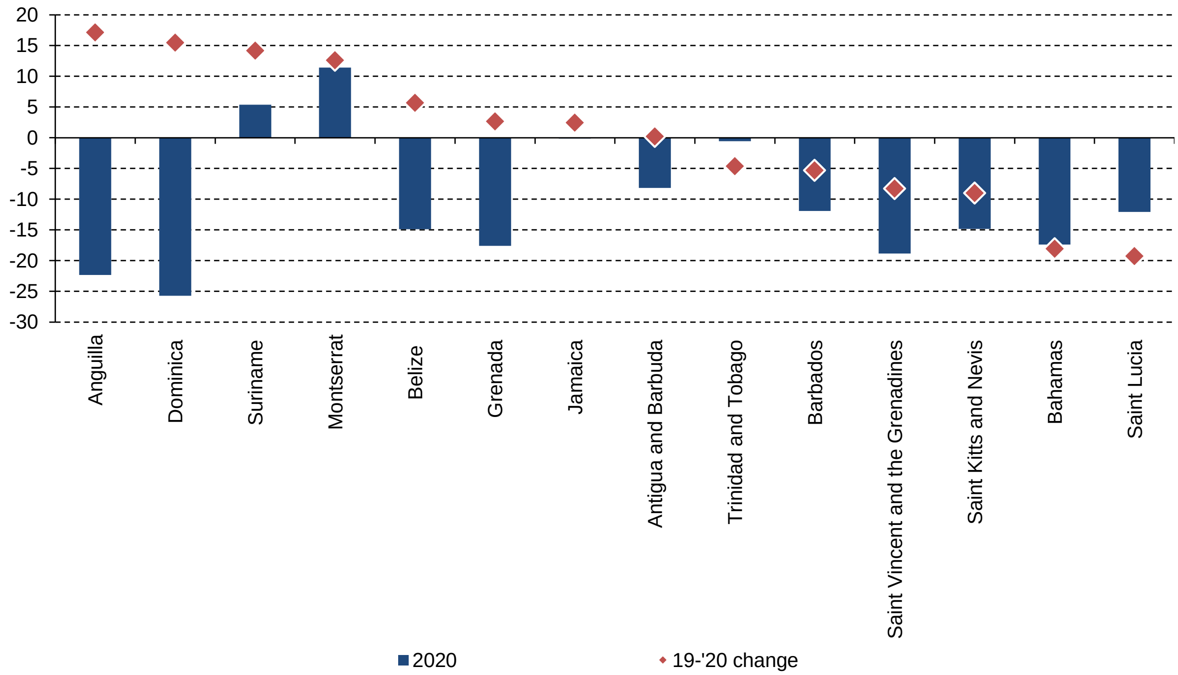
B. Current account

The average current account balance in the Caribbean narrowed slightly to -10.5% of GDP in 2020 relative to -11.0% of GDP in 2019. This improvement was primarily supported by substantial narrowing of the current account deficit among the goods producing economies. Suriname's current account balance improved to a surplus of 5.4% of GDP in 2020, up from a deficit of -8.8% of GDP in 2019 (figure 8). This was largely due to reduced imports resulting from high inflation because of the devaluation of their currency in 2020. Belize's current account deficit also contracted by 5.7 percentage points to -14.9% of GDP in 2020 relative to 2019 due to reduced imports, profit and dividend repatriation and debt service payments amidst higher remittances. Alternatively, Trinidad and Tobago's current account balance moved from a surplus of 4.1% of GDP in 2019 to a slight deficit of 0.5% of GDP in 2020.

Among the service producing economies, the current account deficit widened slightly from -11.6% of GDP in 2019 to -12.5% of GDP in 2020. Among the ECCU economies, the current account position worsened which led to a worsening of the ECCU's net borrowing position. Both Saint Lucia and The Bahamas reported double digit expansions in their current account deficits. For Saint Lucia, this was a result of substantial decline in travel receipts due to the fallout from the COVID-19 pandemic. Similarly, for The Bahamas, the worsening in the current account position resulted from reduced import payments impacted by lower international fuel prices as demand slowed due to the pandemic along with less outlays on non-oil imports. Among all service producing economies, Dominica reported the largest narrowing of their current account deficit from -41.1% of GDP in 2019 to -25.7% of GDP in 2020 as a result of reduced imports due to the pandemic.

Much uncertainty remains regarding the ongoing effects of the COVID-19 pandemic and its continued impact on the region's current account balance. If there is an improvement in the pandemic led by increased vaccinations, there is the potential continue to see improvements in travel receipts and economies are able to recover. This means that the balance of payments current account position can be expected to improve. However, if current conditions persist or worsen, the balance of payment current account deficit for most Caribbean economies is expected to widen significantly on account of a repeat collapse in tourism receipts, lower remittance inflows, and deteriorating international energy prices. Of course, Guyana remains the exception as this economy is expected to continue to benefit from continued petroleum exports which will boost export receipts.

Figure 8
Current account balance, 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

V. Conclusion

The economic fallout of the COVID-19 pandemic has been very challenging for Caribbean economies, particularly for the majority that are highly dependent on the tourism sector. The year 2020 has seen a deep contraction in Caribbean economies, which contracted by 7.5% and 11.3% if Guyana is excluded. Guyana was a bright spot in the subregion as it posted the highest GDP growth rate in the world due to the commencement of oil exports. The double-digit contractions led to significant job losses and unemployment rose to 12.9% in 2020 from 10.7% in 2019.

Governments in the Caribbean responded with significant fiscal expansion to fund health care expenses and support affected businesses and workers. These efforts combined with reduced economic activity as a result of restrictions meant to slow the spread of the disease led to expanded fiscal deficits and increased public debt. Monetary policy was also expansionary in efforts to increase liquidity in the system early on in the pandemic.

The first half of 2021 saw some recovery in the subregion. Several tourism-based economies began reopening for visitors in late 2020 and some saw arrivals begin to approach pre-pandemic levels in early 2021. Energy prices also rose gradually over the year, benefiting the oil and gas producers. The world also saw the distribution of vaccines against the COVID-19 virus in 2021, which led to the slowing of infections in several countries around the world and increased business confidence. Vaccine distribution in the Caribbean was slower than in developed countries but accelerated later in the year. The economies of the Caribbean are projected to rebound by 4.1% in 2021; conditions have improved relative to 2020, but are still not back the level before the pandemic. Global coordination is needed to assist countries in need and ensure equitable access to vaccines and technologies to fight the virus in order for the subregion, and indeed the world to return to pre-pandemic trends in the years ahead.

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