

Preliminary overview of the economies of the Caribbean 2020–2021

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Abstract

This overview examines the economic performance of economies of the Caribbean in 2020 and comprises four chapters. The first chapter provides a comparative analysis across Caribbean economies of the main macroeconomic variables, namely GDP growth, monetary indicators, as well as fiscal and external accounts. The second chapter looks at areas of focus in the Caribbean. The third chapter concludes, while the annex includes individual country briefs that give an overview of the economic situation for the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname and a subregional assessment of the countries of the Eastern Caribbean Currency Union.

Introduction

A. The World Economy and its prospects

The world economy has been severely challenged by the global pandemic and although it can be regarded as health shock, the Great Lockdown and social distancing measures have paralysed supply chains in some sectors and affected production systems globally. The lack of a multilateral approach to a global stimulus has hit very hard countries that do not have much fiscal space. In addition, the lack of global and regional coordination to the vaccine rollout will delay a swift recovery after the significant output losses experienced in 2020. According to the IMF World Economic Outlook (January 2021), preventing further setbacks will require that policy support is not prematurely withdrawn. In addition, they they argue that the path ahead will require skillful domestic policies that manage trade-offs between lifting near-term activity and addressing medium-term challenges.

The global impact of the pandemic is recognised by the trade performance between 2019 and 2020. In 2019 growth in global goods and service trade grew by 1%. Growth was affected by the trade tensions between China and the United States which impacted both their economies. Meanwhile in 2020 the decline in world trade volume was 10.4%. With respect to trade, the biggest decline was in the advanced economies where imports and exports fell by 11.5% and 11.6% respectively. Meanwhile the decline in the emerging and developing economies with respect to imports and exports was -9.4% and -7.7% respectively.

In tandem with the decline in trade, world output also declined. Global growth which was 2.8% in 2019 fell to -4.4% in 2020. As in the case of the global crisis of 2008-2009 it is the emerging and developing economies that have been less affected as they declined by -3.3%. Interestingly, China and India which grew by 6.1% and 4.2% in 2019 respectively, posted growth of 1.9% and -10.3% in 2020. The projection for 2021 assumes that the vaccine roll-out will be swift and effective in which case the global economy is projected to grow at 5.2% with advanced economies growing at 3.9% and emerging markets and developing economies growing at 6.0%.

Table 1
International actual and projected growth rates 2019–2021
(Percentages)

| | Estimate | | Projections |
|-----------------------------------|----------|-------|-------------|
| | 2019 | 2020 | 2021 |
| World Output | 2.8 | -4.4 | 5.2 |
| Advanced economies | 1.7 | -5.8 | 3.9 |
| Emerging and Developing Economies | 3.7 | -3.3 | 6.0 |
| Euro Area | 1.7 | -7.6 | 5.0 |
| Latin America and the Caribbean | 0.1 | -7.7 | 3.7 |
| China | 6.1 | 1.9 | 8.2 |
| India | 4.2 | -10.3 | 8.8 |
| United States | 2.2 | -4.3 | 3.1 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures; International Monetary Fund (IMF), "World Economic Outlook Database, January 2021 update.

In Latin America and the Caribbean, growth fell close to 0.1% in 2019 which was the lowest of all regions. This was due to slowdowns in the manufacturing, construction, commerce and mining (which has been in decline for years [ECLAC 2019]). There was also a contraction in growth in 2020 in Latin America but the region's decline was the most intense. Growth fell by 7.7% largely due to the fall out from the pandemic and low commodity prices.

The forecast for the region in 2021 is 3.7% based on the assumption that the vaccine rollout will be steady and there is likely to be a de-escalation of trade tensions between China and the United States.

B. Caribbean growth rates

The average growth rate of Caribbean economies declined from 1.8% in 2018 to 0.6% in 2019 (Table 2). Also, in 2019, only two Caribbean economies experienced negative growth, Trinidad and Tobago (-0.1%) and Belize (-1.2%), while all the others posted positive growth rates.

In 2020, service-producing economies are expected to record a growth rate of -13.2%, a massive decline relative to the modest growth of 1.1% the year before. Some countries had some exceptional declines: Anguilla contracted by 29.8% and Saint Lucia by 26.6%. This fall out has been due to the collapse of the cruise and stopover tourism sector and its attendant impacts on other areas in the economy.

The goods-producing economies recorded an average real GDP growth rate of 0.0% in 2019, and a decline of -2.1% in 2020. With a growth rate of 5.4%, Guyana had the highest growth performance among this group in 2019, with Suriname and Belize following at 0.3%. With the discovery and commercialization of oil by ExxonMobil which started in December 2019, Guyana's growth performance is estimated at 30.9% in 2020, thereby driving up growth rates among the goods producing economies.

The projections for 2021 are optimistic as the vaccine roll out may not be effective until about mid year. The growth for the Caribbean region is projected at 4.2% with the goods and service producers growing by 4.3 and 4.2% respectively. Critical to such growth will be normalisation of the situation in the North Atlantic so that tourism services can continue. The suspension of commercial flights from Canada to the Caribbean does not bode well for a swift return of tourism services.

Table 2
Caribbean: GDP growth rates, 2015–2021
(Percentages)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------------|-------------|-------------|------------|------------|--------------|------------|
| Anguilla | -2.5 | -6.3 | 8.4 | 5.4 | -29.8 | 13.4 |
| Antigua and Barbuda | 5.5 | 3.1 | 7.0 | 3.4 | -18.3 | 13.4 |
| Bahamas | 1.4 | 3.1 | 3.0 | 1.2 | -14.5 | 4.5 |
| Barbados | 2.6 | 0.6 | -0.4 | -0.1 | -16.0 | 6.0 |
| Belize | 0.1 | 1.9 | 2.1 | 0.3 | -15.5 | 7.5 |
| Dominica | 2.6 | -6.8 | 2.3 | 3.6 | -15.4 | 3.4 |
| Grenada | 3.7 | 4.4 | 4.1 | 1.9 | -12.6 | 5.7 |
| Guyana | 3.8 | 3.7 | 4.4 | 5.4 | 30.9 | 8.1 |
| Jamaica | 1.4 | 1.0 | 1.9 | 0.9 | -9.0 | 2 |
| Montserrat | 1.3 | -3.8 | 4.0 | 5.9 | -7.9 | 4.5 |
| Saint Kitts and Nevis | 2.8 | -2.0 | 2.9 | 2.8 | -15.1 | 6.4 |
| Saint Lucia | 3.4 | 3.5 | 2.6 | 1.7 | -26.6 | 7.5 |
| Saint Vincent and the Grenadines | 1.9 | 1.0 | 2.2 | 0.5 | -5.5 | 3.9 |
| Suriname | -5.6 | 1.8 | 2.6 | 0.3 | -10.1 | 2 |
| Trinidad and Tobago | -5.6 | -3.0 | 0.1 | -1.2 | -6.8 | 3.3 |
| The Caribbean | -1.1 | 0.2 | 1.8 | 0.6 | -8.0 | 4.2 |
| Goods Producers | -4.2 | -1.2 | 1.2 | 0.0 | -2.1 | 4.3 |
| Service Producers | 1.9 | 1.6 | 2.3 | 1.1 | -13.2 | 4.2 |

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

Note: Caribbean, Goods Producers, and Service Producers are weighted average growth rates.

C. Unemployment

There was a decline in the trend in unemployment rates in the Caribbean between 2016 and 2019. In fact at least four countries saw a decline in their unemployment rate between these years. Much more recently the average unemployment rate in 2018 for the Caribbean economies in which data were available was 11.7% with the goods producers posting lower unemployment of 7.6 % and the service producers 14.6%. In 2019 these rates for the Caribbean, goods producers and service producers were 10.5%, 7.2% and 11.9% respectively. The global impact of COVID-19 and the collapse of the tourism sector saw unemployment rates climbing sharply.

While data are not available for most countries at the moment the cases of Belize and Jamaica are indicative as the unemployment rates rose for Belize from 10.4% in 2019 to 13.7% in 2020 (first quarter) while for Jamaica it rose from 7.7% to 10.2% (third quarter). It is very likely that youth unemployment which tend to be large relative to total unemployment will be substantially greater. There will also be gender effects since more women than men tend to work in the tourism and services sectors which were most affected by the travel restrictions and lockdowns.

Table 3
Unemployment rates, 2016–2020
(Percentages)

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Bahamas | 12.7 | 10.1 | 10.7 | 9.5 | ... |
| Barbados | 9.7 | 10.0 | 10.1 | 10.1 | ... |
| Belize | 8.0 | 9.0 | 9.4 | 10.4 | 13.7 |
| Grenada | 28.2 | 23.6 | 20.6 | 15.2 | |
| Jamaica | 13.2 | 11.7 | 9.1 | 7.7 | 10.2 |
| Saint Lucia | 21.3 | 20.2 | 20.2 | 16.8 | ... |
| Suriname | 9.7 | 7.6 | 9.4 | ... | ... |
| Trinidad and Tobago | 4.0 | 4.8 | 3.9 | 4.0 | ... |
| The Caribbean average | 13.3 | 12.1 | 11.7 | 10.5 | 12.0 |
| Goods Producers | 7.2 | 7.1 | 7.6 | 7.2 | 13.7 |
| Service Producers | 17.0 | 15.1 | 14.1 | 11.9 | 10.2 |

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

... Data not available.

Suriname: Unemployment rate in the districts of Paramaribo and Wanica.

I. Macroeconomic performance

This subsection analyses the performance of key macroeconomic indicators that affect macro-stability in the Caribbean in 2020.

A. Fiscal and debt

1. Fiscal

The average Caribbean fiscal deficit in 2020 grew to 7.6 per cent of GDP¹, an expansion of 3.8 percentage points resulting from increased spending on the pandemic. The median fiscal deficit for the Caribbean expanded by 3.3 percentage points from 2.6% of GDP in 2019 to 5.9% of GDP in 2020. Although some governments ramped up spending to treat with and reduce the fallout from the pandemic others with little or no fiscal space were forced to restrain their spending. This again reinforces the need to accumulate savings in better times to facilitate countercyclical spending during economic shocks and downturns. The fiscal position worsened in eight economies and improved in seven of them.

The fiscal deficit increased from 7.5% to 12.9% in the goods-based economies and from 2.5% of GDP to 5.7% of GDP in the service producers (see figure 1 below). Among the goods producers, the deficit rose by 7.1 percentage points in both Trinidad and Tobago and Belize and rose by 9.6 percentage points in Suriname. Government finances weakened in Trinidad and Tobago, owing to the decline in international fuel prices and a significant increase in spending to deal with the effects of the pandemic. Belize's deficit was driven by a fall in revenue due in part to tax relief and subsidies to households and businesses to cushion the impacts of COVID-19 and higher government spending on health and other sectors to cope with the pandemic. Suriname's fiscal deficit expanded from an already unsustainable positions (21.2% of GDP) in 2019 to 30.8% of GDP. However, this estimate is expected to decrease as full year data becomes available. Meanwhile, the deficit shrunk in Guyana, which benefited from the

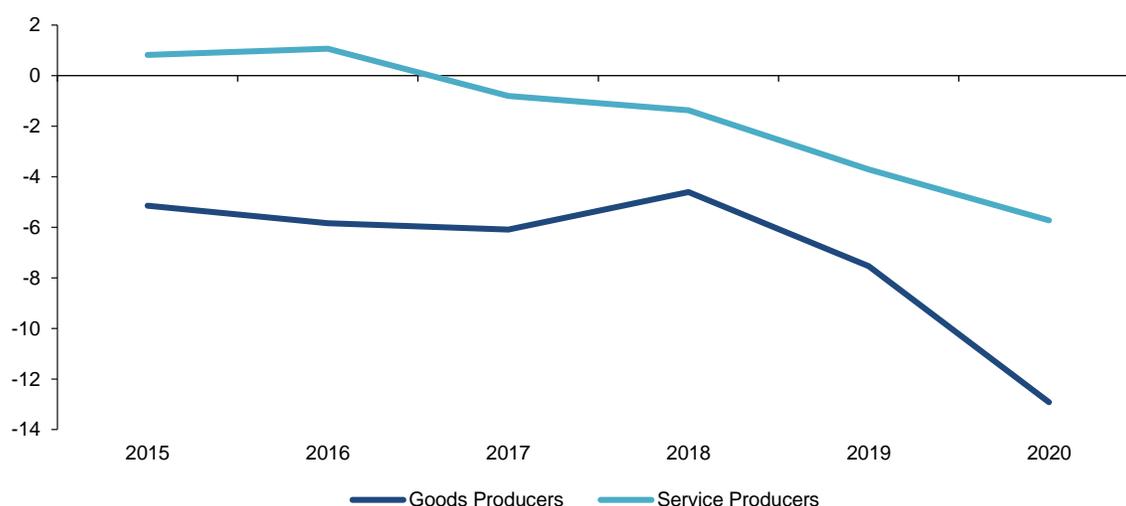
¹ Partial year fiscal data was annualized for most economies.

start of proceeds from its petroleum sector that boosted revenues, leading to a decline in the deficit from 2.8% of GDP in 2019 to 0.6% of GDP in 2020.

In the service producing economies, despite experiencing greater economic fallout, owing to the collapse of tourism sector with knock-on effects on incomes, employment and government revenues, the deficit in 2020 is estimated to be smaller than in the goods producing economies. Among these economies, Grenada, Saint Kitts and Nevis and Saint Lucia all experienced an expansion of over 7 percentage points of GDP. Anguilla, Dominica and Montserrat were the only economies among the service producers to post improvements in their overall fiscal deficits in 2020.

Meanwhile, the deficit increased by 5.2, 4.2 and 5.8 percentage points in The Bahamas, Barbados and Jamaica respectively. In all three economies, an increase in spending to prepare for and cushion the impact of the pandemic as well as reduced tax revenues as a result of decreased activity led to expansions in the deficit.

Figure 1
Fiscal balance, 2015–2020
(Percentage of GDP)



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

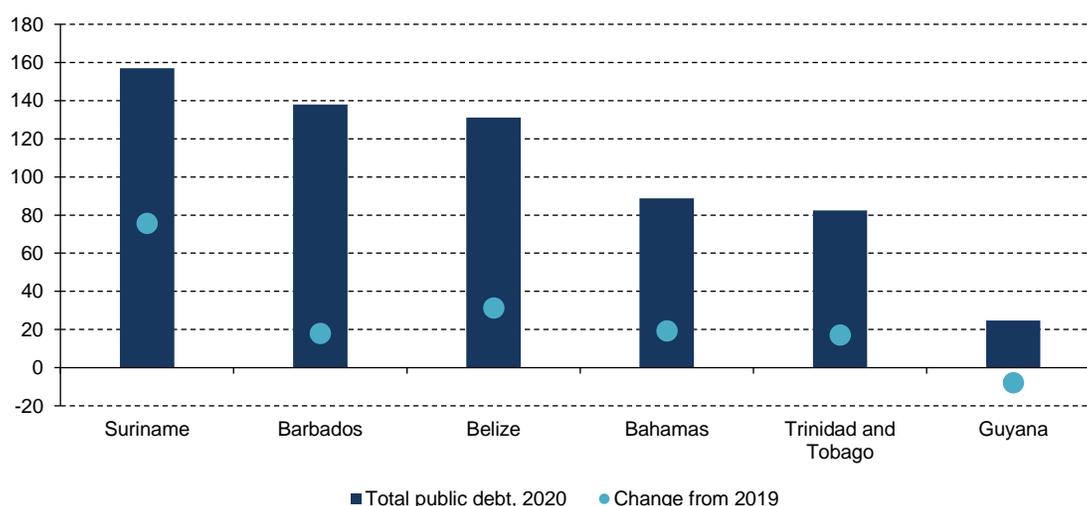
2. Debt

COVID-19 has caused countries to shift their focus from debt consolidation and fiscal sustainability to modest stimulus to prepare for and cushion the fallout from the pandemic. This has led to even higher debt levels in most countries. Total public debt for six countries for which data are available for 2020, averaged 103.7% of GDP in 2020 (see figure 2). This compares with average debt of 68.0% of GDP for the whole region in 2019.

For the countries with data, public debt increased in all countries, except Guyana. Suriname's debt expanded by an alarming 75.8 percentage points, reflecting the impact of a 90% devaluation of the local currency on foreign currency debt and also spending to cope with the pandemic leading up to the general elections. Belize's debt grew by 31.4 percentage points to 131.0% of GDP reflecting significant spending on pandemic relief, readiness and treatment. Propelled by health and treatment costs and economic stimulus and relief for affected households due to the pandemic, the Bahamas' debt increased by 19.4 percentage points to 88.9% of GDP in 2020. Barbados and Trinidad and Tobago's debt rose by 18.0 and 17.3 percentage points respectively, driven by health sector preparations and relief and stimulus programmes to dampen the impact of COVID-19.

Meanwhile, Guyana's debt declined by 7.8 percentage points to 32.6% of GDP, underpinned by revenues from the petroleum sector and a constraint on spending during the period before the declaration of the election results.

Figure 2
Total public debt
(Percentage of GDP)



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

B. Monetary policy, domestic credit and inflation

This subsection will explore issues relating to the nature and focus of monetary policy-setting in Caribbean economies in 2020, as well as trends in interest rates, money supply, domestic credit and inflation.

In 2020, while there was a mixed approach to monetary policy setting, several economies implemented expansionary monetary and financial measures to increase liquidity in response to the pandemic. The central banks of Barbados, the ECCU and Trinidad and Tobago reduced their policy rates. Barbados lowered its discount rate from 7% to 2%, the ECCB reduced its discount rate from 6.5% to 2% and Trinidad and Tobago lowered its policy rate from 5% to 3.5%. The monetary authorities in other countries used reserve ratios as their monetary instruments. Belize reduced the statutory and cash reserve requirements for commercial banks by 2 percentage points to 21.0% and 6.5%, respectively, Guyana reduced reserve requirements from 12% to 10% and Suriname lowered its domestic currency reserve requirement from 35% to 27.5%. The Bahamas and Jamaica did not change their monetary policy rates.

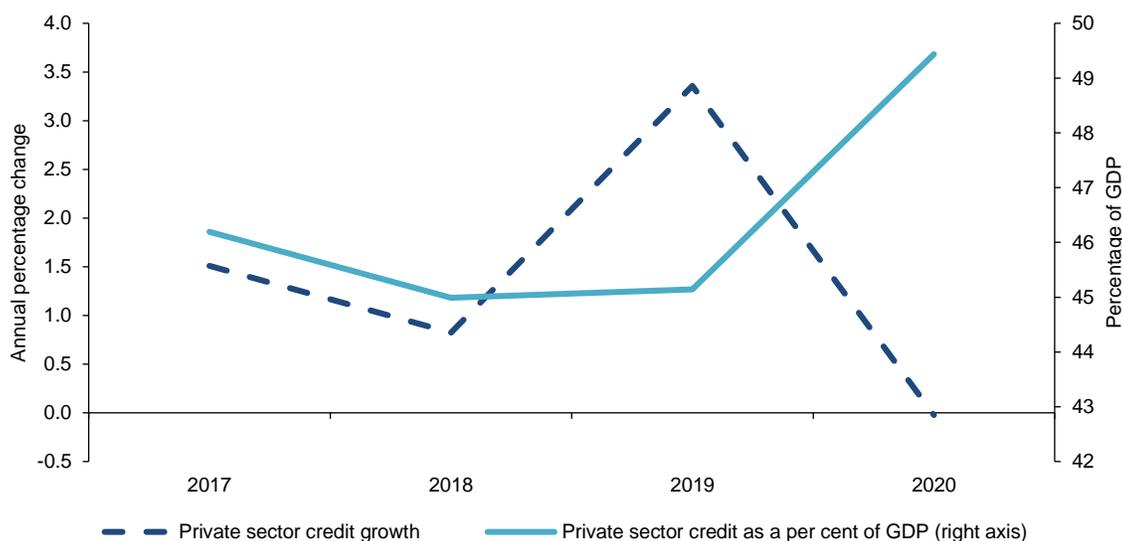
In addition, to adjusting their policy rates Caribbean monetary authorities used macro-financial policy to assist businesses and consumers. The Bahamas, Barbados, the ECCU, Guyana, Suriname and Trinidad and Tobago all implemented some form of loan payment deferral for individuals and business customers who had been affected by the pandemic. Other measures used included reducing risk-weights for banks on loans in the tourism sector from 100 percent to 50 percent in Belize, providing short term financing for working capital at concessional terms in Guyana, and broadening of the range of acceptable repo collateral in Jamaica.

1. Private sector credit

Data on credit to the private sector was not available in 2020 for several Caribbean economies. Data was, in fact, available for the four goods producers (Belize, Guyana, Suriname and Trinidad and Tobago) as well as The Bahamas and Barbados. Among these six economies, credit to the private sector (as a per cent of GDP) grew from 45.1% to 49.4% (see figure 3). More of this growth was contributed by The Bahamas and Barbados as the average for the goods producers grew from just 37.1% to 39.2%.

Much of the increase in private sector credit as a per cent of GDP was due to the decline in the denominator as a result of the pandemic. Three of the six economies experienced a fall in credit to the private sector in absolute terms: The Bahamas (-1.0%), Barbados (-1.1%) and Trinidad and Tobago (-1.6%). The economies in which it did expand saw sluggish growth: Belize (1.8%), Guyana (0.9%) and Suriname (0.8%). Despite the monetary policy initiatives by Caribbean governments, weak business confidence as a result of COVID-19 measures kept private sector credit from growing.

Figure 3
Credit to the private sector



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

2. Inflation

For most Caribbean economies inflation fell sharply over the period July 2019 to July 2020. Suriname was the chief exception and experienced significant price increases beginning the first quarter of 2020.

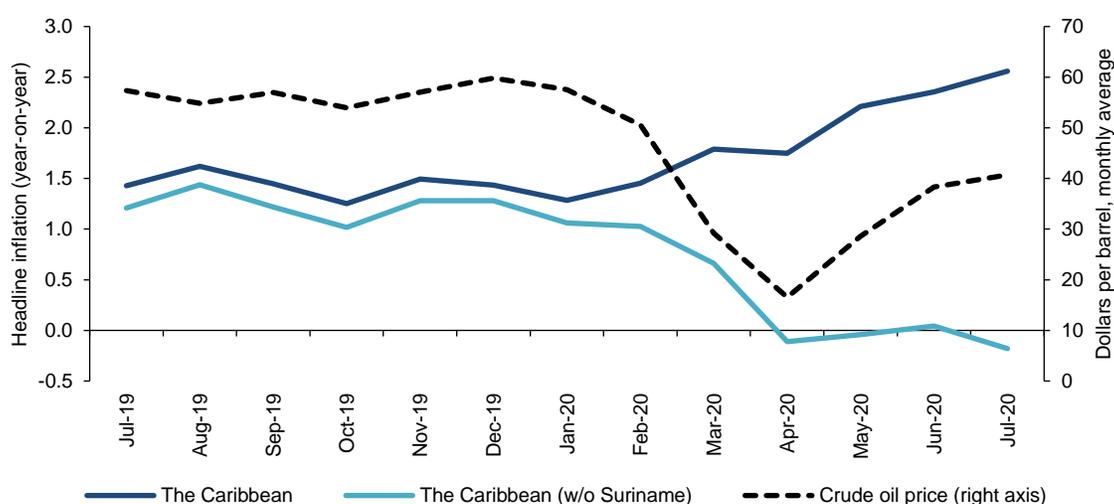
For the Caribbean (except Suriname), prices fell over the reporting period, from 1.2%² in July 2019 to -0.2% in July 2020 (see figure 4). Several of the ECCU members (Montserrat, Saint Kitts and Nevis and Saint Lucia) had months of deflation in the second half of 2019 but they were joined by The Bahamas, Dominica, Grenada and Saint Vincent and the Grenadines in 2020. The main reasons for the decline were the slowdown in economic activity brought on by COVID-19 lockdown measures and the decline in international energy prices which reduced local fuel prices. The travel restrictions implemented across the world in the early stages of the pandemic saw fuel prices plummet in March and April. On 20 April 2020 the US benchmark crude, West Texas Intermediate, fell to a daily average of negative \$36.98 per

² Year-on-year percentage change.

barrel as oil storage facilities around the world were near capacity due to reduced demand. Oil prices have grown steadily since then, but Caribbean inflation has remained near zero.

Inflation in Suriname increased from 4.3% in July 2019 to 38.2% in July 2020 and increased further to 56.4% in November 2020. The increase in prices, which began to accelerate in February, was a result of a number of factors including limited access to US dollars and the monetization of the fiscal deficit. In September the Suriname currency was devalued by almost 90%, which served to push the inflation rate up even further. Jamaica, whose central bank aims to keep inflation between 4% and 6%, saw prices rise over the review period, and exceed the upper band in a couple of months. The inflation rate rose from 4.3% in July 2019 to 6.3% by June 2020, mainly due to rising food prices as a result of adverse weather conditions.

Figure 4
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.

C. External Sector

1. Current account

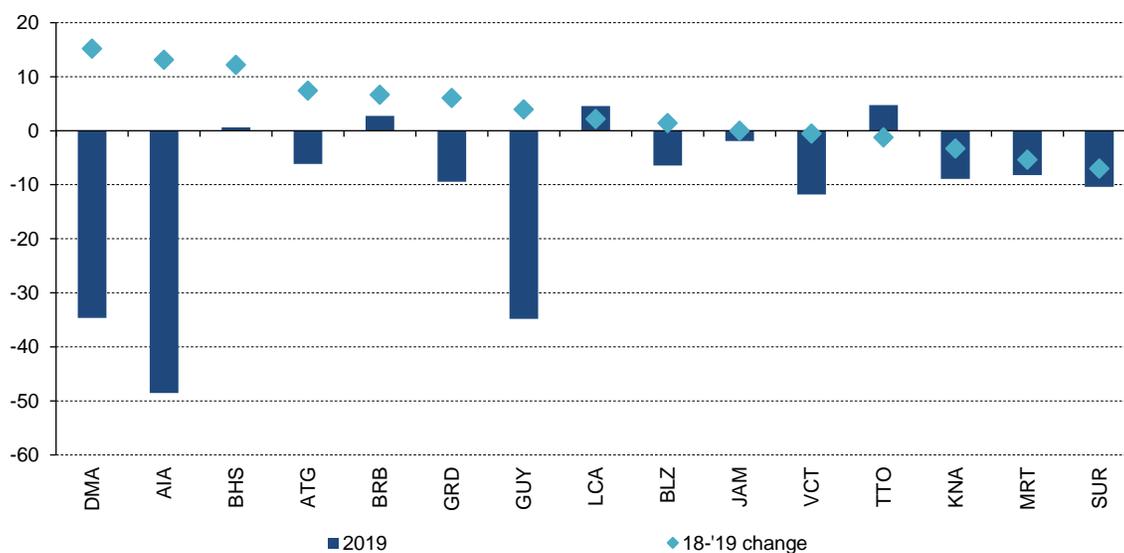
The average current account balance in the Caribbean narrowed to -11.4% of GDP in 2019 relative to -14.7% of GDP in 2018. The improvement in the current account balance was primarily supported by narrowing of the current account deficit in several service producing economies where the average current account deficit improved from -16.0% of GDP in 2018 to -11.0% of GDP in 2019. Dominica and Anguilla, two economies with the largest deficit across the subregion worsened by the impact of devastating hurricanes (-34.7% of GDP and -48.5% of GDP, respectively), reported the largest contractions in the current account balance. This improvement was driven by higher travel inflows for both economies, higher goods exports in Dominica and higher financial services inflows along with unchanged import payments in Anguilla. However, as net importers, some service producing economies such as the ECCU continue to depend on borrowing to finance its deficit.

Among the goods producing economies, the current account deficit widened slightly from -11.1% of GDP in 2018 to -12.5% of GDP in 2019. Although Guyana presently has the largest current account deficit among the goods producing economies, Suriname reported the largest expansion in their current account deficit with a 7.5 percentage point decline to -10.9% of GDP in 2019 relative to 2018. This expansion stemmed from a decline in the goods surplus from 16% of GDP in 2018 to 10.8% in 2019

worsened by an increase in imports (mining equipment and government car imports). Guyana, alternatively, was the only goods producing economy with a contraction in their current account deficit with a 15.2 percentage point increase to -34.7% of GDP.

Fast forwarding to 2020 and any 2019 gains particularly among the service producing economies have been eroded while the current account balance position has worsened among goods producing economies. Much uncertainty remains regarding the outcome of the COVID-19 pandemic and its continued impact on the region's current account balance. 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 collapse in tourism receipts, lower remittance inflows, and deteriorating international energy prices related to the effects of the COVID-19 pandemic. The exception will be for Guyana, where a surplus is expected in 2020 for the first time in eight years as petroleum exports boost export receipts.

Figure 5
Current account balance, 2019
(Percentages)



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

II. Conclusion

Economic performance of the Caribbean in 2020 suffered as a result of the COVID-19 pandemic. The economic contraction is expected to be greater than the world average, as well as that in advanced and emerging and developing economies. Most of the Caribbean countries' economies depend on tourism, which was one of the worse affected sectors of 2020.

Government responses to the pandemic took many forms and had many impacts. Travel restrictions and border closures lowered the number of visitors and consequently, service exports. Restrictions of economic activity reduced value added and tax revenue. Governments' expenditure increased on health and safety equipment, medical tests and public education, as well as on economic stimulus to support affected persons and businesses. As a result, fiscal deficits expanded and public debt, which was already elevated in the subregion, grew even further. International initiatives such as the debt service suspension initiative have helped, but going forward, more needs to be done to help the Caribbean recover from COVID-19. Possible options for broadening the scope of financing include:

- An international mechanism for restructuring of international sovereign debt
- The redistribution of existing and new issuances of International Monetary Fund Special Drawing Rights (SDRs) from countries without need to countries that need them
- The adjustment of graduation and allocation criteria to allow middle income countries access to financing on concessional terms.

For 2021 the growth outlook is positive as economies return to a level of normalcy; the Caribbean is expected to grow by 4.2%. Governments have learned from the spread of the virus in 2020 so lockdowns from future outbreaks should not be as severe. However, much of the growth will be a statistical "carry-over effect" since the base of 2020 was so low. Growth in 2021 and beyond depends on the rate of the continued spread of the disease, as well as availability and uptake of vaccines. Widespread rollouts of COVID-19 vaccines in the subregion and internationally should boost business confidence and travel more and more as the year progresses.

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Annex

Annex 1

Country Notes

Bahamas

The coronavirus disease (COVID-19) pandemic has been the key determinant of the Bahamas' economic performance in 2020. By 17 November, the country had recorded 7,312 infections and 163 deaths. The mainstay tourism sector has been severely affected, with knock-on effects on commerce, distribution and other sectors. Therefore, the economy is projected to contract by 14.5% in 2020, following growth of 1.8% in 2019. Unemployment has increased, owing to the sharp contraction in tourism and subdued activity in other sectors. Meanwhile, inflation slowed by 0.3 percentage points year-on-year in the first eight months of 2020, mainly due to lower international fuel prices. The fiscal deficit expanded sharply to 6.1% of GDP in the 2019/20 fiscal year, owing to continued reconstruction after Hurricane Dorian in 2019 and outlays relating to the pandemic, accompanied by a sharp decline in revenues. There was a major reversal in the balance of payments current account position from a surplus of 5.2% of GDP in the first half of 2019 to a deficit of 11.9% of GDP in the first half of 2020, largely owing to the steep decline in tourism receipts.

Economic policy has centred on containing the fallout from COVID-19, cushioning the impact on citizens and building a platform for growth after the pandemic. The government has been forced to put its fiscal consolidation effort on hold as it seeks to rebuild after the hurricane and to stimulate activity during the pandemic. As a result, the fiscal deficit expanded from 1.7% of GDP in the 2018/19 fiscal year to 6.1% of GDP in the 2019/20 fiscal year (ending June 2020). This slippage was driven by a 13.9% contraction in revenues, owing to a 15.9% decline in tax receipts, with lower collection of VAT and other taxes in the last quarter, owing to the pandemic. The decline in revenue was compounded by an 8.8% expansion in government spending, including a substantial (65.1%) expansion in capital expenditure to facilitate reconstruction after the hurricane and higher current spending on relief and stimulus to cope with the pandemic. During the last quarter of the 2019/20 fiscal year, the government spent over 57.3 million Bahamian dollars (B\$) on medical supplies, rental of quarantine sites and support to households and businesses to cope with the pandemic. The fiscal deficit is projected to further widen to 10.0% of GDP in the 2020/21 fiscal year as the government maintains spending to lessen the impact of the pandemic.

Despite the impact of the hurricane and the pandemic, monetary policy remained neutral, and the central bank has held its policy discount rate at 4.0%. Monetary developments were marked by a temporary boost to external reserves, associated with foreign currency borrowing by the government. Meanwhile, domestic credit is expected to expand by B\$ 16.1 million in 2020, partially reversing the decline of B\$ 53.3 million in 2019. This is primarily linked to increased borrowing by the central government (forecast at B\$ 144.0 million) to fund rehabilitation and activities related to COVID-19, as credit to the private sector is set to contract by B\$ 72.6 million, reflecting weaker business confidence because of the pandemic. Meanwhile, growth in banking sector deposits slowed, in line with lower foreign currency inflows from tourism and other activities. Bahamian dollar deposits are projected to grow by B\$ 218.9 million in 2020, compared with B\$ 331.4 million in 2019, while foreign currency deposits are expected to decline by US\$ 96.5 million, following growth of US\$ 95.9 million in 2019. The economic downturn, including layoffs of workers in tourism, contributed to a worsening of bank credit quality in 2020. The banking sector is expected to have increased its loan loss provisions by 20.6% (B\$ 87.6 million) and the ratio of total provisions to non-performing loans (NPLs) is forecast to rise by 16.6 percentage points. Monetary developments led to a widening of the average interest rate spread from 9.96% in 2019 to a forecast 10.8% in 2020, as the increase in the loan rate outpaced that for the deposit rate.

External payments deteriorated in 2020, with the balance of payments current account slipping from a surplus of 5.2% of GDP in the first half of 2019 to a deficit of 11.9% of GDP in first half of 2020. This reversal stemmed primarily from the slump in net tourism receipts from 36.4% of GDP in 2019 to an expected 15.5% of GDP in 2020. The almost complete shutdown of the tourism sector led to a slump in receipts from both stayover and cruise tourism. The goods trade deficit is projected to contract by 9.1% in 2020, reflecting lower payments for both non-fuel and fuel goods imports, the latter linked to fall in international oil prices. Net transportation payments are set to decline by 32.5%, owing to reduced air and sea travel during the pandemic. The income account deficit is on course to widen, from 4.3% of GDP to 4.7% of GDP in line with higher payments for compensation of employees. Current transfers are forecast to rise from 0.1% of GDP to 6.4% of GDP, bolstered by reinsurance inflows relating to Hurricane Dorian. The capital and financial account surplus is expected to grow from 0.4% of GDP to 17.1% of GDP. This has been driven by significant debt inflows, reflecting government borrowing for post-hurricane reconstruction and the response to the pandemic. Meanwhile, foreign direct investment (FDI) inflows is forecast to contract by 22.3% to US\$ 105.0 million in 2020, linked to reduced equity inflows and land sales. By the end of September, international reserves had grown by US\$ 347.9 million to US\$ 2.1 billion, covering 8.3 months of goods imports.

The economy is projected to contract by 14.5% in 2020, the largest decline since independence in 1973. The COVID-19 pandemic has combined with the effects of hurricane Dorian to create a perfect economic storm in the Bahamas. The main fallout from the pandemic has been on the mainstay tourism sector, with total visitor arrivals declining by 68.0% year-on-year in the first nine months of 2020. Air arrivals, which include the high value-added stopover segment, contracted by 72.4% from 1,342,120 to 370,976 visitors year-on-year to September 2020. Cruise passenger arrivals declined by 66.5% to 1,327,142 visitors over the same period. This fallout in tourism spilled over into distribution and commerce, amplifying the recessionary effects on the economy. This was only marginally offset by reconstruction work in the wake of Hurricane Dorian and ongoing FDI-related tourism projects, which boosted construction activity. The rate of inflation declined by 0.3 percentage points year-on-year to August 2020, compared with an increase of 1.4 percentage points in the same period of 2019. This lower inflation was primarily a result of lower international fuel prices. The rate of unemployment is expected to increase to over 15.0% in 2020 from 10.7% in 2019, owing to significant job losses in tourism and other sectors. However, the economy is expected to bounce back to grow by 4.5% in 2021, as activity picks up owing to expected improved treatments for the virus.

Barbados

The coronavirus disease (COVID-19) pandemic has undoubtedly brought unexpected macroeconomic challenges for the Barbadian economy. It came at an inopportune time for Barbados given the already subdued economic growth stemming from the government's fiscal consolidation efforts. The Barbadian government, however, swiftly introduced health measures to curb the spread of the disease and countercyclical measures to provide economic support. This challenging economic environment has reversed recent gains in the fiscal position, as the fiscal surplus of 3.7% of GDP in the 2019/20 fiscal year had become a fiscal deficit of 0.2% of GDP by September 2020 and gross public debt expanded by 8.5 percentage points to 131% of GDP in the same month. The recent European Union blacklisting is another unexpected factor, and could potentially affect the international business sector. Unemployment claims have reached unprecedented levels, with over 33,000 claims in June 2020. The twelve-month moving average rate of inflation stood at 4.0% at the end of September 2020 owing to new taxes and a tough drought season early in the year, but deflation is expected in 2021. Activity in the typically robust tourism sector has been severely impacted, with spillover effects on other sectors. Therefore, the economy is expected to contract by 16% in 2020, followed by a recovery in 2021 with forecast growth of around 6%, with the arrival of a vaccine and a gradual increase in tourism activity.

Prior to the COVID-19 pandemic, fiscal consolidation efforts by the Government of Barbados under the Extended Fund Facility (EFF) with the International Monetary Fund (IMF) had begun to yield an improvement in Barbados' fiscal position. However, these gains were reversed by lower revenue in 2020 owing to global and domestic pandemic restrictions and the countercyclical measures introduced to provide economic support. As a result, the fiscal surplus of 3.7% of GDP in the 2019/20 fiscal year had turned into a fiscal deficit of 0.2% of GDP by the middle of the 2020/21 fiscal year. The government also cut their fiscal target under EFF to a primary surplus of 1% of GDP (from 6% of GDP). Although this was achieved, given that the primary surplus was 1.7% in September 2020, it was significantly lower than the 4.0% reported in September 2019. Despite the challenging macroeconomic environment, IMF indicated in its October EFF review that Barbados has continued to make good progress with its ambitious and comprehensive economic reform programme. Nevertheless, the reduced economic output and temporary increase in borrowing to navigate the crisis drove the debt-to-GDP ratio up from 122.5% in September 2019 to 131% in September 2020. In October 2020, the European Council added Barbados to the European Union list of non-cooperative jurisdictions for tax purposes as the Global Forum on Transparency and Exchange of Information for Tax Purposes downgraded Barbados to partially compliant with international standards on transparency and exchange of information on request; of major concern for the Barbados authorities is the far-reaching implications for European transactions within the international business sector.

The sharp decline in tourism flows was a major contributor to the substantial widening of the current account deficit to 5.1% of GDP in the first three quarters of 2020 from 0.7% of GDP in the prior-year period. Weaker domestic demand and lower oil prices contributed to a decline in imports (down 15.0% from September 2019 to September 2020), although this was partially offset by increased imports of capital goods, particularly for public utilities. Exports of goods also fell by 6.7% year-on-year in the first three quarters of 2020. The resumption of interest payments on restructured external debt increased income outflows. International reserves increased to US\$ 1017.4 million, representing 28.1 weeks of import cover in September 2020 (well above the 12-week benchmark), up from US\$ 613.5 million or 15.7 weeks of import cover in September 2019. This increase primarily came from financing from multilateral sources during the second quarter of 2020.

The government of Barbados introduced several measures to offset the prolonged economic toll of the COVID-19 pandemic, announcing an economic stimulus package for a total of US\$ 1 billion. One important initiative is the Barbados Employment and Sustainable Transformation (BEST) plan, aimed at safeguarding jobs in the tourism sector, minimizing bankruptcies, and strengthening the competitiveness of the sector until normalcy returns. The programme also provides financing for green initiatives, digitization of processes and systems for lower cost and improved service, and investment in local suppliers of food, furniture and other supplies.

The global economic recession spurred by the COVID-19 pandemic was the primary driver of the steep contraction in economic activity in 2020. Consequently, the Barbadian economy is expected to contract by 16.0%, after a slight contraction of 0.1% in 2019. The closure of ports of entry to commercial passengers globally has had a devastating effect on the typically robust tourism sector. By September 2020, tourism output had fallen 59.6% year-on-year, with tourist arrivals down 86.7%, despite a gradual re-opening of the economy since July 2020. Although there has been some construction activity, as the long-delayed Hyatt-Ziva project is set to continue in 2020, output in the construction sector fell by 16.7% year-on-year the first three quarters of 2020. Output in the wholesale and retail sector was severely impacted when pandemic-related restrictions were first put in place, but recovered slightly when restrictions were relaxed and schools reopened. In 2020 to September, the sector contracted 5.2% year-on-year. The agriculture sector is the only sector with an increase in output to date in 2020, with a 23.1% year-on-year increase in its GDP contribution, as improved weather conditions boosted food production and fish catches increased.

The twelve-month moving average rate of inflation stood at 4.0% at the end of September 2020 relative to 2.5% in September 2019. Driving this increase were new taxes and tough domestic drought conditions that lasted from late 2019 into the first quarter of 2020. By the second quarter of 2020, muted overall demand along with lower global oil prices led to a deflationary trend that is expected to continue in 2021.

Although final unemployment data for 2020 remains unavailable at the time of publication, a significant increase in the unemployment rate is anticipated, to as much as 40% (well above the 10.1% in 2019). By June 2020, unemployment claims had skyrocketed to well over 33,000 (approximately 24% of the workforce) with 31% originating from hotels and restaurants. Some private sector firms temporarily reduced wages and hours in order to cut operating costs and contain the impact on employment. By July 2020, unemployment claims had begun to decline as the economy slowly reopened and business activity picked up, but the recovery has been slow and unemployment is unlikely to recover to pre-pandemic rates in late 2020 or early 2021.

Belize

The coronavirus disease (COVID-19) pandemic has led to the largest contraction in Belize in recent decades. The economy is projected to contract by 15.5% in 2020, owing to substantial declines in tourism, manufacturing and distribution combined with a previously expected decline in agriculture. Job losses in tourism, commerce, distribution and other sectors have led to higher unemployment in 2020, which will carry over into 2021. Inflation rose to 0.3% in 2020, reflecting higher food, health and housing costs. The fiscal deficit expanded from 3.4% of GDP in the first quarter of 2019 to 11.0% of GDP for the same period of 2020, because of a sharp fall in revenues, partly owing to the pandemic. The balance of payments current account deficit widened from 1.4% of GDP in the first half of 2019 to 2.0% of GDP in the first half of 2020, mainly as a result of a sharp decline in receipts in the tourism sector, which was almost entirely shut down because of the pandemic.

Economic policy in 2020 has been driven by measures to contain the spread and economic fallout from the pandemic. The government has implemented an unemployment relief programme and a programme to support micro-, small and medium-sized enterprises (MSMEs). The unemployment relief programme provides 150 Belize dollars (BZ\$) every 2 weeks for 12 weeks for persons who have been laid off owing to the pandemic. The MSME support programme provides BZ\$ 2.5 million in grants, with a fixed sum of BZ\$ 2,500 for each micro-enterprise, along with BZ\$ 7.0 million in wage subsidies for employee retention during the pandemic.

The fiscal deficit expanded significantly to 11.0% of GDP in the first quarter of 2020, compared to 3.4% of GDP in the same period of 2019. This mainly stemmed from an 18.2% contraction in total revenue, owing to a sharp fall in tax and non-tax receipts, as the government provided tax relief to businesses to cope with COVID-19.

Nevertheless, total spending declined marginally by 0.4% year-on-year in nominal terms in the first quarter, as current spending rose marginally (3%) owing to the government containing its spending on goods and services and postponing interest payments on its 2034 bond. However, this was partly largely offset by an increase in capital spending (41%), primarily owing to outlays on infrastructure projects. The government has earmarked BZ\$ 25.1 million for pandemic relief for households and support to businesses. As a result of the trends in spending and revenue, public sector debt expanded rapidly to 132% of GDP by the end of September 2020.

Monetary policy was expansionary in 2020. To support activity during the pandemic, the central bank reduced the statutory and cash reserve requirements for commercial banks by 2 percentage points to 21.0% and 6.5%, respectively, to boost lending. This stimulated growth in domestic credit, which was 4.1% higher year-on-year in September 2020, as opposed to a decline of 1.4% in the same period of 2019. Credit to the public sector grew by 4.5%, as the government stepped up foreign borrowing to cope

with the pandemic, while credit to the private sector rose by 3.9%, as enterprises borrowed to maintain business continuity during COVID-19. The broad money supply is forecast to expand by 10 percentage points to 111.9% of GDP in 2020. This is mainly a result of strong growth in currency holdings, as citizens have increased their cash holdings to cushion the loss of income from layoffs and to cope with uncertainty arising from the pandemic. As a result, currency with the public is set to increase by 20.3% in nominal terms to 13.3% of GDP in 2020, from 11.1% of GDP in 2019. The weighted average interest rate spread is expected to narrow to 6.46% in 2020 from 6.98% in 2019, owing to a 0.26 percentage point fall in the average loan rate and a 0.25 percentage point increase in the average deposit rate.

The external position worsened in the first half of 2020, with the current account deficit widening to 4.1% of GDP year-on-year, from 2.7% of GDP for the same period of 2019. Contributing to this was a sharp 31.3% contraction in the services account surplus, stemming from a 43.3% decline in receipts in the tourism sector, which was almost entirely shut down because of COVID-19. The goods deficit narrowed by 9.0%, as the fall in exports was offset by a sharp decline in the value of imports owing to lower oil prices. The income account deficit improved owing to lower repatriation of earnings by foreign investors. The capital and financial account surplus, including errors and omissions, contracted by 15.4%. This mainly reflected a 42.5% fall in foreign direct investment (FDI) inflows, linked to lower investment in tourism-related and real estate projects. The government's position was bolstered by US\$ 30.7 million in external borrowing to fund capital projects and the COVID-19 response. In September 2020, international reserves stood at US\$ 332.3 million, covering 4.5 months of imports.

Economic activity plummeted in 2020, owing to the pervasive impact of the COVID-19 pandemic. The economy is projected to contract by 15.5%, reflecting declines in the primary, secondary and service sectors. Service sector activity in particular is set to fall by 18.2%, owing to a 71.1% contraction in the tourism sector, which was almost entirely shut down because of the pandemic. Stayover visitors and cruise passenger arrivals are forecast to drop by 71% and 70%, respectively, owing to border closures and a reluctance to travel. Partly because of the spillover from tourism, the wholesale and retail trade is expected to decline by 20%. Real output in manufacturing is projected to fall 21% owing to lower production of sugar, citrus juices and flour. The agriculture and forestry sector is set to contract by 4.6%, reflecting a fall in sugar cane and citrus output and reduced livestock production, only partly offset by higher banana and corn output. Inflation is forecast to be 0.3% in 2020, up from -0.1% in 2019, propelled by higher food, health and housing costs. Unemployment is expected to increase significantly above the 10.4% recorded in 2019, fuelled by job losses in sectors such as tourism, and distribution.

The economy is projected to recover in 2021, with GDP growth of 7.5%. This is expected to be driven by growth in a number of sectors, including a recovery in tourism, as the sector reopens for visitors, with containment of the pandemic through therapeutics or vaccines. Agriculture is also expected to bounce back, bolstered by higher value added in crops and livestock production. Lastly, manufacturing is forecast to grow, underpinned by a recovery in output in the food and beverage and electricity and water subsectors.

ECCU

All Eastern Caribbean Currency Union (ECCU)³ economies are forecasted to experience negative growth in 2020, primarily due to the deleterious impact of the COVID-19 pandemic on the leading sectors of ECCU economies. The sub-region registered its first case of COVID-19 on March 11th 2020 (Saint Vincent and the Grenadines), as well as 647 infections and 8 deaths as of December 4th. Moreover, the far-reaching measures taken internationally and by sub-regional economies to curb the spread of the disease, which included lockdowns, closure of borders and businesses led to the virtual cessation of tourism activity in the ECCU during the second quarter of 2020, with spill-over effects on

³ Refers to the six ECLAC Caribbean ECCU countries: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

the retail distribution and services sectors. ECCU economies began gradually reopening their borders in the third quarter of 2020. However, given the regional tourism sector's inextricable link to the economic performance in the major source markets of Europe and North America, lower economic activity in these economies coupled with a global resurgence in infections is likely to precipitate continued year-on-year tourism sector contraction during the second half of 2020. Hence, following nine consecutive years of positive economic growth, real GDP of the ECCU is forecasted to contract by 17.1% in 2020, following a credible 2.3% positive outturn in 2019.

There is expected to be a reversal of the declining trend in unemployment observed in recent years, due to permanent job losses, closure of businesses, developments with LIAT (the main regional airline of the ECCU) and the slow recovery of the tourism sector. Consumer prices are forecasted to decline by 1.4% in 2020 due to lower global economic activity and soft (and declining) oil prices, following flat inflation (0.0%) in the previous year. The ECCU economies registered an overall fiscal deficit of 4.9% of GDP during the first half of 2020.

Economic policy across the ECCU largely focused on increasing fiscal expenditure on the health sector in order to deal with the COVID-19 pandemic; and mitigating the socio-economic fallout by prioritizing job retention. The attendant fiscal packages instituted across the ECCU to varying degrees covered measures such as payroll support, grants to businesses, unemployment benefits, public assistance grants, tax credits, concessions and deferrals programmes, investment stimuli and other forms of relief. For instance, the Government of Antigua and Barbuda increased public expenditure on health care; initially reduced the price of electricity by 20% in for the public for 90 days; suspended the common external tariff on food imports; and expanded existing social safety programmes. Antigua and Barbuda also adopted Fiscal Revenue Guidelines, as well as a Medium-Term Fiscal Framework to enhance its fiscal operations. Similarly, Dominica reduced its corporate tax rate from 25% to 17% on companies which retained at least 80% of their workers for 12 months; increased fiscal expenditure in the Ministries of Health and Agriculture provided grants to approximately 2,500 individual crop farmers as well as to families negatively impacted by COVID-19; and paid outstanding arrears to small contractors and merchants.

The Government of Grenada sought to institute a robust strategy to manage liquidity, prioritize COVID-19 related spending and response to natural disaster shocks. The government also provided payroll support for workers in the tourism industry and credit to small businesses. In December it triggered Section 10, the Escape Clause, and Section 8(3) (f) of the Fiscal Responsibility Act (FRA), which allows for the suspension, for no longer than a fiscal year, fiscal rules, targets and corrective measures under sections 7 and 8 of the FRA. This suggests an appreciation that the precipitous fall in revenue due to COVID-19 may lead to fiscal rules set out under the FRA being broken.

Meanwhile, Saint Kitts and Nevis increased public expenditure in the health sector; expanded public expenditure on poverty alleviation projects; and reduced the corporate income tax rate from 33% to 25%. The Government of St. Lucia implemented a Social Stabilization Plan to address the economic effects of the COVID-19 pandemic. Moreover, the Government of St. Vincent and the Grenadines rolled out a fiscal package amounting to 3.6% of GDP to mitigate the economic impact of the pandemic, which included the deferring of tax payments; the provision of financial support to stakeholders in the tourism, transport, and agriculture sectors; and the increase in public expenditure on social safety net programs.

As a consequence of this substantive easing of fiscal consolidation efforts across ECCU economies during the review period, the data reveals that the Union generated an overall fiscal deficit of EC\$265.8 million (4.57% of GDP) during the first half of 2020. A deeper examination of the data unmask significant disparities in fiscal performance across individual ECCU countries. Notably, Grenada emerged as the only ECCU economy to generate a, albeit minimal, surplus (EC\$30 million or 2.1% of GDP) during the first half of 2020. This notwithstanding, increased expenditure to finance COVID-19-related support measures coupled with contracting tax revenue as economic activity slowed

considerably, meant that the fiscal surplus shrank by just under 70% relative to the first half of 2019. It is important to note, however, that there was an uptick in Grenada's non-tax revenue as inflows from the Economic Citizenship Programme increased. In contrast, a fall in Economic Citizenship Programme inflows underpinned declining non-tax revenue in Antigua and Barbuda (receipts stood at EC\$40.8 million at the end of June), Dominica and Saint Kitts and Nevis during the first half of 2020.

In response to the negative economic and fiscal impact of COVID-19 on ECCU economies, monetary policy developments were conditioned by a dedicated focus on easing borrowing conditions for commercial banks as a means of providing much needed liquidity. In this regard, the Eastern Caribbean Central Bank (ECCB) intervened in April 2020 to reduce the discount rate (for the first time since 2003) from 6.5% to 2.0%. The ECCB also expanded credit offered to governments and approved a grant for the ECCB Member Governments, totaling EC\$4 million, to address the COVID-19 crisis. Further, the ECCB collaborated with the Bankers' Association to facilitate the institution of a support program for customers. The main measures of which included a 6-month loan repayment moratorium; the waiver of late fees and charges to customers; and increased credit limits.

The slowing of economic activity across the ECCU precipitated a distinct year-on-year deterioration (3%) in broad money supply as at August 2020, which was indicative of the pervasive pernicious effect of increased unemployment and heightened economic uncertainty on currency in circulation and deposits. Competition amongst commercial banks and the need to stimulate economic activity, placed downward pressures on the weighted average lending rate, which decreased by 62 basis points to 7.21%, while the weighted average deposit rate remained flat. Over the first eight months of 2020 private sector credit increased in Antigua and Barbuda (2.3%), Saint Lucia (0.7%) and Saint Vincent and the Grenadines (0.6%). Despite the fall-off in economic activity due to the pandemic, ECCU-wide commercial bank liquidity is expected to remain adequately healthy and well above the mandated liquid assets to total deposits ratio threshold of 20%. The pace of increase of the Union's outstanding public debt stock is forecasted to quicken in 2020 as central governments incur further debt to fund COVID-19-related fiscal packages and budgetary shortfalls in the face of falling revenue.

The nominal exchange rate between the Eastern Caribbean dollar and the United States dollar was unchanged at its fixed rate of EC\$2.7 = US\$1 and this stability is expected to persist. However, as at the end of August 2020 there was a slight (1.71%) depreciation in the real exchange rate, in contrast to a 0.27% uptick in 2019.

Based on preliminary data, the Union's merchandise trade deficit contracted during the first half of 2020, with the pace of the lowering of imports outstripping that of exports. Soft and declining crude oil prices and dampened commercial activity are thought to be the major drivers of the former. In addition, the precipitous fall in tourist arrivals is forecasted to halve gross travel receipts.

The ECCU is projected to contract by 17.1% in 2020 despite the gradual reopening of domestic economies during the third quarter of 2020. This considerable moderation of economic activity was primarily driven by the lingering COVID-19 pandemic-induced contraction in the tourism industry (i.e. hotels and restaurants), the main driver of economic activity in the ECCU, as well as the transport, storage and communications; wholesale and retail trade, and the construction sectors.

Lockdowns, closure of borders and other travel restrictions instituted in the Union's major source markets, severely affected global demand and interrupted the subregion's tourism sector. It is estimated that ECCU-wide stay-over arrivals more than halved during the first half of 2020. Moreover, over the period January-October Antigua and Barbuda saw a 55.4% decline in tourist arrivals; Grenada a 70.4% contraction; and Saint Lucia a 68.7% decline. Tourist arrivals to Dominica fell by 70.1% over the first three quarters of 2020 relative to 2019. While there were an estimated 1,193,377 stay-over visitors to the Union in 2019, as at June 2020 tourist arrivals stood at 286,076. There were also precipitous declines in yacht calls to Antigua and Barbuda, Dominica and Saint Lucia as well as cruise ship calls to all ECCU countries.

Although at the time of publication unemployment data was unavailable, it is anticipated that there will be a significant reversal of the Union's recent declining trend in unemployment, due to permanent job losses, temporary closure of hotels and other businesses, developments with LIAT (the main regional airline of the ECCU), and the slow recovery of the tourism sector as ECCU economies reopened their borders. Consumer prices are forecasted to decline by 1.4% in 2020 due to lower global economic activity and soft (and declining) oil prices, following flat inflation (0.0%) in the previous year.

Guyana

There will be an economic transformation in Guyana in 2020, but not to the extent previously expected. Early in the year it was forecast that Guyana would grow by 85% in 2020. However, the domestic and international effects of the coronavirus disease (COVID-19) pandemic have lowered expectations and growth is now projected at 30.9%.

The first case of COVID-19 was recorded on 12 March 2020. While the disease initially spread slowly in the country, it began to accelerate in August and by the end of October there were over 4,000 confirmed cases. The government implemented a number of measures to slow the propagation of the disease. To reduce the number of international visitors, international airports were closed on 18 March and the ferry service with Suriname was halted. To enforce physical distancing, the government suspending sporting events, limited social gatherings including weddings and funerals, and closed gyms, spas, clubs and other non-essential services.

As a result of the government's support and mitigation measures in response to the pandemic, the fiscal balance showed a deficit for the first six months of the year. The slowdown in domestic economic activity caused by the pandemic also led to a fall in employment, almost flat inflation, and a decline in government revenue. Moreover, implementation of fiscal measures was delayed, as the result of the 2 March election was not declared until 16 June. Because of this, until the new government presented its budget, spending was constrained by domestic laws, leading to sharp drops in current revenue and capital expenditure. In the first six months of 2020, total revenue was 10% lower year-on-year, while total expenditure fell 4.4%. Consequently, the overall balance deteriorated from a surplus of 0.2% of full-year GDP in the first half of 2019 to a deficit of 0.4% for the same period in 2020.

The government announced or implemented a number of relief measures to address COVID-19, including removing value added tax (VAT) from utility bills, waiving VAT and duties on medical supplies, extending deadlines for tax returns, distributing food packages to support the vulnerable population, and transferring cash to small farmers.

The Bank of Guyana's monetary policy stance remained accommodative in 2020. The reserve requirement ratio and discount rate were left unchanged at 12.0% and 5.0%, respectively. Over the first six months of the year net redemption of treasury bills for monetary purposes amounted to 352 million Guyana dollars (G\$). In response to the COVID-19 crisis, the central bank has implemented several financial measures, including a three-month moratorium on classifying loans as non-performing, and has encouraged financial institutions to offer relief such as lower interest rates and loan payment deferrals.

The Bank of Guyana's official exchange rate remained steady at G\$ 208.5 to US\$ 1 over the first six months of 2020. The rate is expected to be maintained throughout the rest of the year, as the authorities seek to keep prices stable.

December 2019 saw the introduction of crude oil to Guyana's export portfolio. This new commodity resulted in the goods trade balance moving from a deficit of US\$ 627 million or 12.1% of GDP in the first half of 2019 to a surplus of US\$ 143 million or 2.8% of GDP in the same period in 2020. Crude oil contributed US\$ 452 million to the total export value. Traditional exports of gold and rice also increased, owing to increases in volume and prices for both commodities. However, exports of sugar, timber, bauxite and other products declined. Imports fell by 20% due to reduced consumption resulting

from the various lockdown measures. The current account deficit contracted by 64% (in nominal terms), down from 16.9% of GDP to 6.0%.

The non-oil sector shrank by 4.9% in the first half of 2020, relative to the same period in 2019. The contraction was mainly caused by lower production in services sectors because of lockdown and physical distancing measures. Conversely, the nascent oil sector grew by 45.9%. While oil production was initially projected to increase to 120,000 barrels per day (bpd) in the first half of 2020, this target has not yet been reached. Subdued international oil demand owing to the pandemic led to lower prices. Also, in June, production was reduced to 30,000 bpd due to issues with the Liza Phase I gas compressor. Production increased to 63,000 bpd on average in the third quarter and is expected to average 105,000 bpd in the fourth quarter. Growth is forecast at 31% for full-year 2020 and 8.1% for 2021.

Year-on-year inflation was 0.9% in September 2020. There was deflation in several sectors, as prices fell in clothing (-1.8%), footwear and repairs (-0.9%), housing (-0.7%) and transport and communications (-1.3%). Pulling the inflation rate up were increases in food prices (2.5%) and medical care and health services (4.8%); the latter reflected supply shortages resulting from increased demand for medical care during the pandemic.

The contraction in the services sector led to lower employment in the private sector. Employment in the public sector also fell, by 3.3%, mainly due to a decline of 12.7% in recruitment by the public corporation Guyana Sugar Corporation (GUYSUCO).

Jamaica

The coronavirus disease (COVID-19) pandemic has had a devastating impact on the Jamaican economy because of the country's heavy reliance on tourism services and the closing of its border, businesses and schools to prevent the spread of the virus. A partial reopening of the border to tourists, while important, will not bring a return to normality, given the challenges faced by major source markets, including the United States. The overall policy focus will be on protecting the population from community spread and reducing the impact of a likely recession. The Jamaican economy posted a decline of 1.7% in the first quarter of 2020 and 18% in the second quarter. Growth was 0.9% in 2019 and is projected at -9% in 2020 and 2% in 2021. At the sixth and final review of the US\$ 1.64 billion stand-by agreement with the International Monetary Fund (IMF) on 4 November 2019, the Executive Board of IMF said that Jamaica's sustained policy discipline, together with its fully operational fiscal council and independent central bank, would help institutionalize the gains achieved under the successive Fund-supported programmes. The impact of COVID-19 will derail some of the hard-won fiscal gains made over time, and the balance of payments is likely to deteriorate by as much as 6% of GDP as tourism receipts decline.

Fiscal challenges continue to be the biggest concern as the Government of Jamaica seeks to control the public finances amid the COVID-19 pandemic. The control of public expenditure has been a major part of its fiscal adjustment strategy. In fiscal year 2020/21, government revenues for the period April to September were up 3.9%, with a sizable 9.6% increase in grants. Most categories of government expenditure were below budget, and overall government expenditure was 1.8% below target. In addition, capital expenditure was up by 6.2%. The Minister of Finance has had to go to Parliament a second time for Supplementary Estimates this year so far, and some 36.8 billion Jamaican dollars (J\$) are reported to have gone on COVID-19-related expenses. If this is combined with increased interest costs in the Second Supplementary Estimates relative to the 2020/21 budget, the total impact of COVID-19 expenditure on the Government of Jamaica to date is J\$ 43.8 billion.

The main challenge facing the Jamaican economy continues to be the still-large debt overhang. The largest component of the debt (61.2%) is external, while domestic debt accounts for the remaining 38.8%. The impact of COVID-19 means that the debt burden will increase to about 100% of GDP in fiscal year 2020/21. In view of the COVID-19 crisis, the government has postponed the debt target of 60% of GDP to fiscal year 2027/28 from 2025/26.

In 2020, the nominal exchange rate depreciated during the June quarter relative to the previous quarter. The weighted average selling rate of the Jamaican dollar against the United States dollar closed the June 2020 quarter at J\$ 140.01 to US\$ 1, reflecting depreciation of 3.3% relative to the previous quarter and of 6.8% relative to end-June 2019. Depreciation is likely to accelerate as inflows from tourism continue to fall. The depreciation in the exchange rate during the June 2020 quarter was underpinned by tightened United States dollar liquidity due to a decline in inflows, particularly from tourism. Pressure for appreciation in the latter part of the quarter reflected improved confidence following the signing of the Rapid Financing Instrument (RFI) for US\$ 520 million between the Government of Jamaica and IMF on 15 May 2020. Factors such as recent floods (leading to higher imports) and commodity price swings could also cause the rate of depreciation to accelerate. While the depreciation of the currency may be improving competitiveness, especially in light of depressed oil prices, continual depreciation will begin to affect inflation and encourage public servants in particular to demand higher wage increases.

The stated monetary policy objective of the Bank of Jamaica is to achieve and maintain inflation within the target of 4.0% to 6.0%, a level the Bank considers will facilitate sustained economic growth and development. In this spirit, the Bank of Jamaica maintained an accommodative monetary policy stance during 2019 with the aim of fostering faster credit expansion in pursuit of higher levels of economic activity and job creation to support inflation and keep it within the Bank's target range. Specifically, the Bank reduced its policy interest rate on four occasions by a total of 125 basis points to a historic low of 0.50% per annum. It also lowered the cash reserve requirement on two occasions by a cumulative 5 percentage points to 7.0%, which increased liquidity in the financial system by J\$ 28.1 billion. This latter policy, which has continued, was specifically designed to free up more liquidity to fight the pandemic.

Net loans and allowances grew by 17.2% during 2019 as deposit-taking institutions capitalized on increasingly favourable credit conditions and sustained demand for debt from households and corporates. In 2019, loans to corporates and households increased by 20.3% and 16.5%, respectively (compared with 15.4% and 12.0% the previous year).

Despite the economic shock caused by the pandemic, annual growth in the monetary base as of June 2020 was 17.1%, as compared to an earlier projection of 4.7%. This stronger growth was due to significantly higher than anticipated currency issuance, owing to greater-than-expected demand for precautionary cash because of the pandemic.

The Bank of Jamaica maintained a strong net international reserve position for 2019, with an increase of US\$ 157.1 million to US\$ 3.163 billion relative to 2018. At the end of 2019, gross reserves amounted to US\$ 3.631 billion and represented 110.7% of the IMF Assessing Reserve Adequacy (ARA) metric. Gross reserves at the end of 2019 also represented approximately 22.9 weeks of projected goods and services imports, as compared to 19.5 weeks at the end of 2018. The duration of the crisis, however, will have an impact on the government's ability to maintain reserve adequacy. In its Quarterly Monetary Policy Report (QMPR), the Bank of Jamaica anticipates a balance-of-payments current account deficit in the range of 6.0% to 7.5% of GDP for fiscal year 2020/21, a significant deterioration compared with the deficit of 1.1% of GDP in fiscal year 2019/20. The outlook for gross reserves has improved relative to the previous projection, however, owing to a favourable outturn in June 2020 and lower projected imports. Projections for the current account face significant downside risks, primarily owing to the impact of a possible second wave of COVID-19 in the United States, which would reduce stopover arrivals. It is also likely that cruise ship arrivals will take much longer to recover.

The economic growth rate was 0.9% in 2019 and -1.7% and -18%, respectively, in the first two quarters of 2020. In the first quarter of 2020, there was a contraction of 1.5% in the goods-producing sectors and a similar contraction in the service economy, with hotels and restaurants contracting by 13.5%. The data on total airport arrivals during the quarter indicate a 17.9% decline during January to

March 2020, largely reflecting the impact of the restrictions imposed locally and globally as a result of COVID-19. Jamaican GDP contracted by an estimated 18% in the April to June 2020 quarter compared with the corresponding quarter of 2019. Meanwhile, manufacturing contracted by an estimated 7%, with all industries registering a decline, while services are estimated to have shrunk by 20.6%, reflecting a fall in real value added in all industries, with the exception of producers of government services, which remained flat. Real value added in the hotels and restaurants industry contracted by an estimated 87.5%, reflecting a sharp decline in visitor arrivals and the number of people utilizing restaurant services.

The measures implemented to manage the spread of COVID-19 included the closing of borders to passenger traffic for two of the three months in the quarter. This resulted in stopover arrivals falling by 98.9% to 7,188 visitors. Total visitor expenditure was US\$ 16.2 million, 98.1% lower than in the year-earlier period.

Low energy prices and constrained demand meant that inflation moderated for most of 2019. Annual headline inflation fell below the Bank's target of 4.0% to 6.0% on six occasions, but closed the year above the target. The periods of lower-than-targeted inflation were the result of lower international oil prices, which contributed to a fall in domestic energy-related costs, and of lower food prices. In December 2019, the upper bound of the inflation target was exceeded because of higher costs for vegetables and starchy foods and energy-related goods and services. The shock to vegetable and starchy food prices was primarily related to adverse weather conditions (drought followed by heavy rains) that affected the island between June and October 2019, as well as crop diseases which affected some items. Higher prices for energy-related goods and services in the December 2019 quarter were due to an increase in international oil prices. The inflation rate for 2019 was 3.9%, which is quite low by historical standards. In 2020, annual inflation accelerated to 6.3% in June 2020 from 4.8% in March 2020. This was mainly due to rising food prices, supported by an increase in the cost of electricity and in water and sewerage rates.

Suriname

Suriname's vulnerable economy was still recovering from the crisis of 2015–2016 before the coronavirus disease (COVID-19) pandemic pushed it into another one. The first case of COVID-19 in Suriname was diagnosed on 13 March 2020. The country's borders were closed in the same month and a state of emergency was declared on 8 April. While the virus initially spread very slowly, the number of cases began to spike in June and for a few months Suriname had the highest cumulative number of COVID-19 cases per million persons in the English- and Dutch-speaking Caribbean. The authorities established border controls and limited economic activity, public gatherings and movement across the country. Eventually, the number of new cases began to fall, and lockdowns were eased. Nevertheless, the economy is expected to contract by 10.1% this year, following growth of 0.3% in 2019.

The government implemented a number of fiscal measures in response to the outbreak. Two 400 million Surinamese dollar (Sur\$) funds were introduced, one for health sector expenditure and the other for unemployment support, pensions and assistance for children. A Sur\$ 300 million fund was also introduced for domestic production. The COVID-19 Exceptional Conditions Act, which was passed in April 2020, removed the debt ceiling and allowed the government to exceed the budget without informing parliament. The Act also allows for further monetary financing, while converting all current borrowing from the Central Bank of Suriname (Centrale Bank van Suriname) to long-term debt. In September the central bank devalued the Surinamese dollar by almost 90%. This will result in decreased consumption, owing to higher prices, and will drive public debt ratios up even further.

In 2020, Suriname's fiscal policy was very expansionary. However, the country's fiscal deficit has expanded in recent years and is set to grow even further in 2020. The fiscal deficit for the first half of 2020 is estimated at 15.4% of forecast full-year GDP, as an 8.4% year-on-year increase in total revenue in the first six months was more than offset by a 50.5% rise in expenditure. Most of the increase in expenditure was because of higher interest payments, slightly mitigated by lower capital expenditure.

In addition to spending on COVID-19 support and relief programmes, outlay in the run-up to the May election also contributed to the increase. In late 2020, the new government removed subsidies on energy and introduced new taxes in an effort to improve the fiscal situation.

From the end of 2019 to August 2020 Suriname's total public debt ratio increased by 24 percentage points to 105.8% of GDP. As a large portion of the country's public debt is in foreign currency, the debt to GDP ratio will increase significantly following the devaluation of the Surinamese dollar. In December, Suriname and its creditors reached an agreement to defer interest and principal payments that had fallen due during the year for bonds that matured in 2023 and 2026 that have a combined value of US\$ 675 million.

The central bank implemented several measures in response to the pandemic in the first half of 2020. To increase liquidity in the system, the domestic currency reserve requirement was cut from 35% to 27.5%. The central bank has also allowed commercial banks to assist affected persons, companies and institutions by granting deferrals of payments of three to six months and by providing loans at 7.5% interest, below market rates.

Despite the decision by the authorities to adopt a floating exchange rate in 2016, it remained steady at 7.52 Sur\$ to 1 US\$ from 2018 through to late 2020. Since 2018, the availability of United States dollars in Suriname has been limited, and a parallel exchange rate emerged, with a significant gap. The country took several steps in 2020 to attempt to maintain the rate. In January 2020, over US\$ 200 million of commercial bank deposits with the central bank was used by the government for imports of basic goods and foreign exchange intervention. In March, the government put currency controls in place, prompting strikes from local industry that led to the changes being reversed. Eventually, due to dwindling reserves, in September the exchange rate was devalued by almost 90%, resulting in a new rate of 14.29 Sur\$ to 1 USD.

The slowdown in consumption caused a decline in imports in the first half of the year, accompanied by an increase in exports. As a result, the goods balance expanded by 123% relative to the first half of 2019. The transfers balance grew by 28%, while the income and services balances shrank by just 1.8% and 1.5%, respectively. Consequently, the current account is expected show an annualized surplus of 2.6% in 2020, up from a deficit of 11.2% of GDP in 2019.

The country's international reserves fell from US\$ 647 million at the end of 2019, equivalent to 1.6 months of import cover, to US\$ 520 million in May 2020, equal to 1.3 months of import cover. By September, reserves had recovered somewhat, to US\$ 551 million.

The economy is forecast to contract by 10.1% in 2020. Lockdowns have stifled domestic economic activity, resulting in large downturns in several sectors. The largest falls are expected in the hotels and restaurants, wholesale and retail, and construction sectors at 60%, 46% and 39%, respectively. The only sectors that are expected to record meaningful growth in 2020 are agriculture, hunting and forestry and manufacturing, which are expected to grow by 5% and 10% respectively. The mining and quarrying sector is set to contract by 3%. Gold prices rose from US\$ 1,285 per ounce on 1 January 2019 to US\$ 1,519 on 1 January 2020 and then peaked at US\$ 2,064 on 6 August 2020. However, in June, a COVID-19 outbreak in one of the country's largest gold mines prompted a trade union to call on its members to stop working, resulting in a stoppage that lasted several weeks. Thus, overall, mining and quarrying output in Suriname slowed.

Following the 2016 crisis, inflation in Suriname remained in single digits from November 2017 onward. However, partly due to monetization of the public deficit, year-on-year inflation jumped from 6.9% in February 2020 to 17.6% in March. Prices continued to rise steadily in subsequent months. The most recent price data is from October 2020, when inflation was 54.2%. Following the devaluation announcement, prices of fuel, bus fares and telecommunications all rose.

Trinidad and Tobago

The economy of Trinidad and Tobago, like many others, has been significantly affected by the coronavirus disease (COVID-19) pandemic. The first case of COVID-19 in Trinidad and Tobago was detected on 13 March 2020. On 22 March 2020, soon after this first confirmed case, the country's borders were closed to all individuals (nationals and non-nationals). Entry was permitted by the Minister of National Security only for individuals who had applied for and been granted exemptions. Cargo vessels transporting goods were allowed entry into the country. These measures were implemented to mitigate the spread and impact of the virus.

As the number of cases grew, the government introduced several short-term measures to control the spread of COVID-19. These included a lockdown of the economy whereby non-essential workers were required to stay at home and all teaching institutions were ordered to close. Additional measures included the closure of public places to discourage mass gatherings. Large sums of public funding were funnelled into various support programmes aimed at keeping individuals afloat during the downturn. The support measures implemented included soft interest loans, wage subsidies, cash transfers and grants. As a result, as in most economies, economic activity in Trinidad and Tobago was curtailed and several of its sectors negatively impacted, with the economy expected to contract by as much as 6.8%.

The government budget deficit for fiscal 2020 is projected to have increased significantly to 11% of GDP, more than quadrupling the deficit of 2.5% of GDP in fiscal 2019. Total revenue fell to 23% of GDP in fiscal 2020 from 28.2% of GDP in fiscal 2019. A major factor contributing to this decrease was the reduction of energy revenue from 10% to 5% of GDP in fiscal years 2019 and 2020, respectively. Given current economic conditions and the need for COVID-19 relief and support programmes, there was an elaborate effort to control government outlays, and thus total expenditure increased only slightly. For fiscal 2020, total expenditure is projected to be 34.3% of GDP. Reductions in wages and salaries were offset by corresponding increases in outlays on goods and services as well as capital expenditure.

The government of Trinidad and Tobago anticipates little difficulty in financing the upcoming fiscal year, with an array of resources expected to be used to facilitate the task. These include a combination of local and international borrowing as well as the sale of assets, such as the State-owned network of filling stations.

In an effort to encourage a moderate economic recovery amidst the current pandemic, the Central Bank of Trinidad and Tobago kept its policy interest rate steady at 3.5%. However, despite the efforts of the Bank to increase liquidity in the economy, credit growth remained cautiously low as the uncertainty brought about by the pandemic continued to stymie economic activity. For example, business lending contracted by 6.1% year on year in June 2020.¹

Although the foreign-exchange market has improved in recent months, it continues to be closely managed. Between October 2019 and September 2020, authorized dealers' purchases from the public, an indicator of foreign-exchange supply, fell by 20.7% year on year. In this period, the main sources of demand for foreign-exchange sales were the distribution sector, energy companies and settlements of credit card transactions. It is expected that the Bank will maintain the exchange-rate peg close to 6.8 Trinidad and Tobago dollars (TT\$) per US\$ 1 in order to continue to keep energy exports competitive and boost the supply of foreign exchange while concomitantly reducing pressure on the Bank's foreign reserves.

In 2019, the current account surplus was US\$ 1.1678 billion, down 14.8% from the previous year as the result of a contraction in the balance of trade in goods. Energy prices and output levels have continued to have an unfavourable impact on export revenue. The services deficit is estimated at 5.7% of GDP as a result of profit remittances by foreign companies. In September 2020, import cover improved to 8.7 months from 7.7 months at the end of 2019. This increase was attributed to greater

inflows into the reserves due to central government borrowing and withdrawals from the Heritage and Stabilization Fund.

After marginal growth of 0.1% in 2018, the economy of Trinidad and Tobago contracted by 1.2% in 2019. Although the non-energy sector experienced growth of 1.7%, these gains were outstripped by the energy sector's contraction of 4.5% owing to reductions in both energy commodity prices and global demand. A further decline is expected for 2020, with the economy projected to contract by as much as 6.8% because of continued unfavourable energy prices and the impact of COVID-19 on international trade and domestic demand.

During the first quarter of 2020, the performance of economic activity in the non-energy sector was mixed. The manufacturing and mining and quarrying sectors were the main contributors to the overall decline in real GDP in 2019, with construction and transportation, professional, scientific and technical services, information and communication, accommodation and food services and agriculture, forestry and fishing also declining. There was a small contraction of the wholesale and retail trade sector, although there were sudden increases in demand for food and grocery items in March as a result of public panic buying. On the other hand, there was growth in commerce and repairs, public administration, financial and insurance activities and electricity and gas. Nevertheless, further contractions are anticipated across all major sectors in line with the estimated contraction in overall GDP growth.

Inflation continued to be sluggish because of weak economic activity. Headline inflation rose marginally to 0.4% during the first quarter of 2020 after maintaining monthly year-on-year rates consistently above 1% for most of 2019. Core inflation subsided at the end of the first quarter, falling from 0.4% in January to 0.2% in March. A major reason for the slowing of core inflation were decreases in the price of medications, so that the health component fell from 1.9% in January to 1.1% in March. Given the continuance of sluggish economic activity, inflation is likely to remain low.

There have been no official unemployment data available since 2018, but the impact of COVID-19 on employment has been clear. In March 2020, the central government began to undertake measures to mitigate the spread of the virus. The actions implemented to limit social and non-essential economic activities weighed on the economy. To curtail potential recessionary effects, the government attempted to address the issues of job losses and other socioeconomic challenges by providing wage relief grants, income support for the retrenched, loan guarantees for microenterprises and expedited income tax and value added tax (VAT) refunds. A survey conducted by the Trinidad and Tobago Coalition of Services Industries (TTCSI) and the Trinidad and Tobago Manufacturers' Association (TTMA) revealed that people in the arts, entertainment and recreation, tourism, manufacturing, food processing and drinks, and construction sectors were among those losing their employment. Other individuals, though still employed, were either subjected to wage cuts or furloughed. Furthermore, given the economic impact of the pandemic, unemployment may have increased, as there have been several closures of non-essential services leading to companies being unable to generate sufficient income to pay expenses.



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