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ECLAC SUBREGIONAL
HEADQUARTERS
FOR THE CARIBBEAN

Economic Survey of the Caribbean 2023

Sheldon McLean
Michael Hendrickson
Machel Pantin



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This document was prepared by Sheldon McLean, Coordinator of the Economic Development Unit of the Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean, Michael Hendrickson, Economic Affairs Officer of the same unit, and Machel Pantin, Associate Economic Affairs Officer, also of the same unit.

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Abstract

This survey examines the economic performance of economies of the Caribbean in 2022 and the first few months of 2023 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

Global economic growth is estimated at 3.5% for 2022 (IMF 2023), following the strong post-COVID rebound of 6.3% in 2021. Performance in 2022 was significantly impacted by the outbreak of the Russia-Ukraine conflict and supply chain disruptions in China. Russia's invasion of Ukraine affected international food prices, as both countries account for 29% of the world's wheat exports. Following the invasion several countries implemented sanctions on Russia, including reducing their imports of Russian oil and gas, which led to energy prices increasing. In China a surge in COVID-19 cases led to strict lockdowns in several major cities, which impacted on manufacturing output. These two factors contributed to inflation rising to multi-year highs in several economies around the world. Global inflation rose to 8.7% (IMF 2023), but the increase was worse in the developing world. Inflation in advanced economies increased to 7.3% while in emerging and developing countries it rose to 9.8%.

The year 2023 brought improvements to the global economy. Supply chain issues have reduced to pre pandemic levels and in May 2023 the WHO officially declared an end to the COVID-19 global health emergency. Global shipping prices have fallen, as more consumption has shifted back to services. While shipping, food and energy prices have fallen since the start of the war in Ukraine, headline inflation remains elevated, due to slowing declining core inflation.

Inflation is projected to decrease to 6.8% in 2023, down from 8.7% in 2022. It is projected to continue falling slowly over the next few years, only dropping below 4% in 2027. Inflation in 2023 was highest in Emerging and developing Europe, followed by Middle East and Central Asia, then Latin America and the Caribbean. The group with the lowest inflation was Emerging and developing Asia.

The response of major central banks in raising interest rates has weighed on economic activity. Central banks increased interest rates in the United States, Australia, Canada, United Kingdom and the European Union. This contractionary monetary policy had slowed liquidity growth in these economies and, in the case of the United States, contributed to a banking crisis in March 2023 which resulted in

several American banks entering into bankruptcy and contagion spreading to international banks as well (ECLAC 2023). Conversely, in some Asian countries interest rates have remained low or decreased due to their relatively low inflation.

In 2023 global growth is expected to slow to 3.0%, largely due to high interest rates in the advanced economies. Consequently, growth will be lowest in the Advanced Economies, at 1.5% (see table 1). Growth in the Emerging and Developing Economies will be unchanged from 2022, at 4.0%, driven by continued strong growth in India (6.1%) and a rebound in China (5.2%). The growth rate in Latin America and the Caribbean fell by more than two percentage points, to 1.7% as regional GDP growth stagnated following the recovery period of 2021 and 2022. Private consumption slowed in all countries of Latin America except Brazil (ECLAC 2023); consumption of goods slowed more than services.

Table 1
Global economic performance and prospects, 2021–2023
(Percentages)

	2021	2022	2023
Advanced economies	5.4	2.7	1.5
Emerging and Developing Economies	6.8	4.0	4.0
Euro Area	5.3	3.5	0.9
Latin America and the Caribbean	6.8	3.8	1.7
China	8.4	3.0	5.2
India	9.1	7.2	6.1
United States	5.9	2.1	1.8
World Output	6.3	3.5	3.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures; International Monetary Fund (IMF), World Economic Outlook, July 2023 update.

Note: Projections for 2023.

B. Caribbean growth performance and prospects

In the Caribbean, all countries experienced positive growth in 2022, for the first time since 2007. The average growth in the subregion (excluding Guyana) was 6.2%. The service producers grew by 8.7%, driven by strong expansions in Saint Lucia (15.9%), The Bahamas (14.4%) and Antigua and Barbuda (8.5%). The continued recovery of the tourism sector in these economies was responsible for the growth. Business activity also increased due to the easing of COVID-19 restrictions. The goods producing economies (excluding Guyana) grew by 2.9%, following two consecutive years of contraction. Belize expanded by 12.1% while Suriname and Trinidad and Tobago grew by 0.9% and 2.5% respectively. Including Guyana, the goods producers expanded by 17.7%, as that economy grew by an incredible 62.3%. In Guyana, this outcome was the result of the start up of a second Floating, Production, Storage and Offloading unit which increased oil production exports by 139%. Guyana and the other major oil and gas exporter, Trinidad and Tobago, both benefited from increased international energy prices stemming from the War in Ukraine. The country with the lowest growth in 2022 was the goods producer Suriname, which is still going through a period of economic adjustment.

For 2023 growth is expected to moderate to 4.2%. Most countries will see a fall in their growth rate following the post pandemic rebound in 2021 and 2022. Guyana's growth will fall to 25.1%, as planned investments for 2023 were brought forward into 2022 to capitalize on the high price

environment. The high inflation in the major source markets is expected to reduce travel demand, which will impact on the service producing economies. The countries that are project to see an increase in GDP growth in 2023 are Antigua and Barbuda, Jamaica, Montserrat, Suriname and Trinidad and Tobago. Antigua and Barbuda will post the highest growth, outside of Guyana, at 9.5%.

Table 2
Caribbean GDP growth rates, 2019–2022
(Percentages)

	2020	2021	2022	2023 ^a
Anguilla	-29.9	12.8	24.2	5.5
Antigua and Barbuda	-17.5	6.6	8.5	9.5
Bahamas	-23.5	17.0	14.4	4.3
Barbados	-13.3	-0.2	10.0	4.9
Belize	-13.4	15.2	12.1	3.5
Dominica	-16.6	6.9	5.9	3.5
Grenada	-13.8	4.7	5.9	5.0
Guyana	43.5	20.1	62.3	25.1
Jamaica	-9.9	4.6	3.9	5.3
Montserrat	-1.1	5.5	2.5	3.0
Saint Kitts and Nevis	-14.5	-0.9	7.7	4.5
Saint Lucia	-24.4	12.2	15.9	4.0
Saint Vincent and the Grenadines	-3.7	0.8	5.0	4.5
Suriname	-15.9	-2.8	0.9	2.0
Trinidad and Tobago	-7.7	-1.0	2.5	3.2
The Caribbean^b	-9.1	5.8	13.2	7.9
Goods Producers	-1.7	4.0	17.7	10.6
Service Producers	-15.7	7.6	8.7	5.0
Caribbean excluding Guyana	-13.0	4.0	6.2	4.2
Goods producers excluding Guyana	-9.5	-0.4	2.9	3.0

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

The growth performance of the economies has a direct impact on unemployment. Unfortunately, consistent unemployment data for most of the Caribbean are not available. The table below reports unemployment data for eight countries, but only five up to 2022: Barbados, Belize, Jamaica, Saint Lucia and Trinidad and Tobago. In all five countries there can be seen a decline in the unemployment rate in 2022. This is in line with the economic rebound following the shock of the pandemic.

Three countries had declines in their unemployment rates of over 5% of GDP: Barbados (-5.7%), Belize (-5.2%) and Saint Lucia (-5.4%). The smallest decline was in Trinidad and Tobago (-0.5%), which has the lowest unemployment rate in the Caribbean.

Table 3
Unemployment rates, 2018–2022
(Percentages)

	2018	2019	2020	2021	2022
Bahamas	10.7	9.5			
Barbados	9.7	10.1	15.7	14.1	8.4
Belize	9.4	9.0	13.7	10.2	5
Grenada	20.6	15.4	24.9	18.1	
Jamaica	9.1	7.8	10.3	8.5	6.3
Saint Lucia	20.2	16.83	21.69	21.9	16.5
Suriname	9.4	10.5			
Trinidad and Tobago	3.9	4.3	5.7	5.4	4.9

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

II. Fiscal and debt performance

This section analyses the recent fiscal performance of the subregion as it continues to recover from the major fallout suffered from the COVID-19 pandemic and seeks to improve public finances as a platform for more robust economic growth.

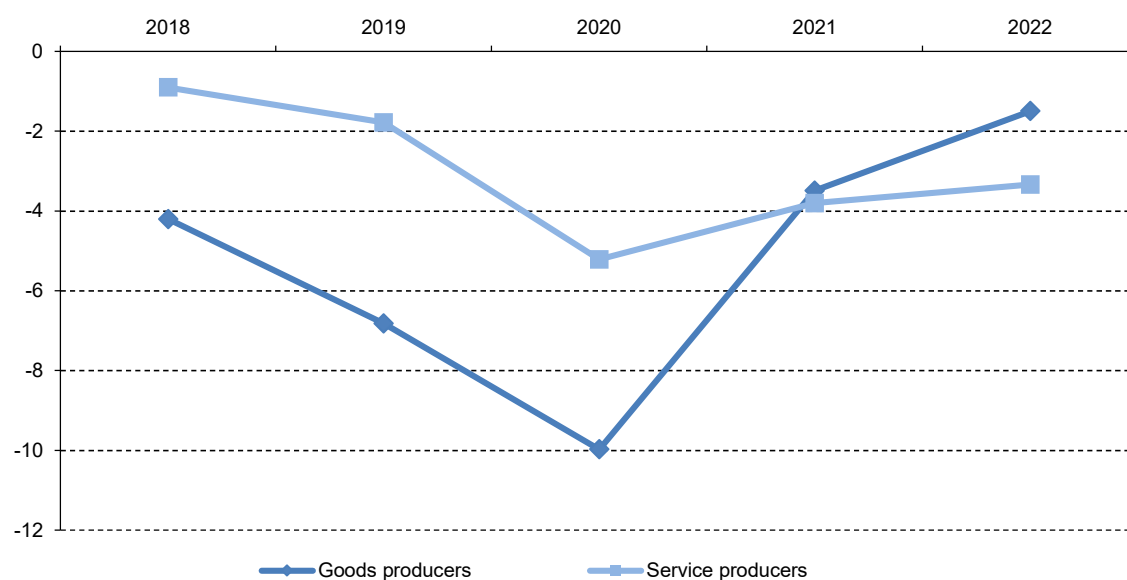
A. Fiscal

For the three-year period (2017-19) prior to the pandemic, the Caribbean's fiscal deficit averaged 2.5% of GDP. During the height of the pandemic, from 2020 to 2022, the deficit widened significantly to 4.4% of GDP as governments undertook economic stimulus and social relief programmes to lessen the impact on their societies. In 2022, the deficit narrowed by 0.9% of GDP to 2.8% of GDP and has almost reverted to the average just before the pandemic. In 2022, the deficit contracted in both the goods and service producers, as economic recovery reduced the borrowing requirement of countries. The deficit declined by 2.0% of GDP in the goods producers, spearheaded by consolidation in Trinidad and Tobago, the Bahamas, Saint Lucia and Barbados. Boosted by proceeds from the energy sector, Trinidad and Tobago posted its first surplus since 2009. Actual oil (West Texas Intermediate) and gas (Henry Hub) prices were 45.2% and 70.7% above the budget forecast, thereby contributing substantially to growth in revenues. Meanwhile, the Bahamas benefited from economic recovery, which bolstered revenues that outpaced growth in spending. VAT receipts, in particular, were quite dynamic, registering growth of 53.5% on the backs of higher consumer spending. In Saint Lucia, the deficit declined owing to higher tax revenues, which were buoyed by higher economic activity, increased proceeds from the Economic Citizenship Program and a reduction in capital spending. Meanwhile, with higher tax receipts stemming from improved economic activity and the impact of the temporary increase in taxes on individuals and selected corporations, the fiscal position improved in Barbados in 2022.

By contrast, the fiscal position worsened in Saint Kitts and Nevis, Suriname and Dominica. In Saint Kitts and Nevis, the position reversed from a strong surplus of 6.5% of GDP in 2021 to a deficit of 2.9% of GDP in 2022. This stemmed mainly from higher capital spending, which reflected an EC\$200 million outlay for the repurchase of land by the government following the sale under the debt

restructuring agreement. Spending was also driven by a 15.8% increase in personal emoluments of public sector workers and a subsidy to the electricity utility to cushion the impact of higher prices on consumers. On the other hand, revenues were buttressed by a 25.0% rise in Citizen by Investment receipts. Suriname continued to face macroeconomic challenges and has embarked on a process of fiscal consolidation. Nevertheless, in 2022 there was some slippage with the fiscal position turning from a surplus of 1.7% of GDP in 2021 to a deficit of 0.9% of GDP in 2022. Growth in expenditure surpassed dynamic growth in revenues. Importantly, a 10% VAT was introduced in 2023 to broaden the tax base and boost revenues, aiding the consolidation path for the country. In Dominica, the deficit widened due to higher infrastructure spending, including on roads, the hospital and the new airport and subsidies to ameliorate the impact of the hike in the cost of living.

Figure 1
Overall fiscal deficit, 2018–2022
(Percentage of GDP)



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

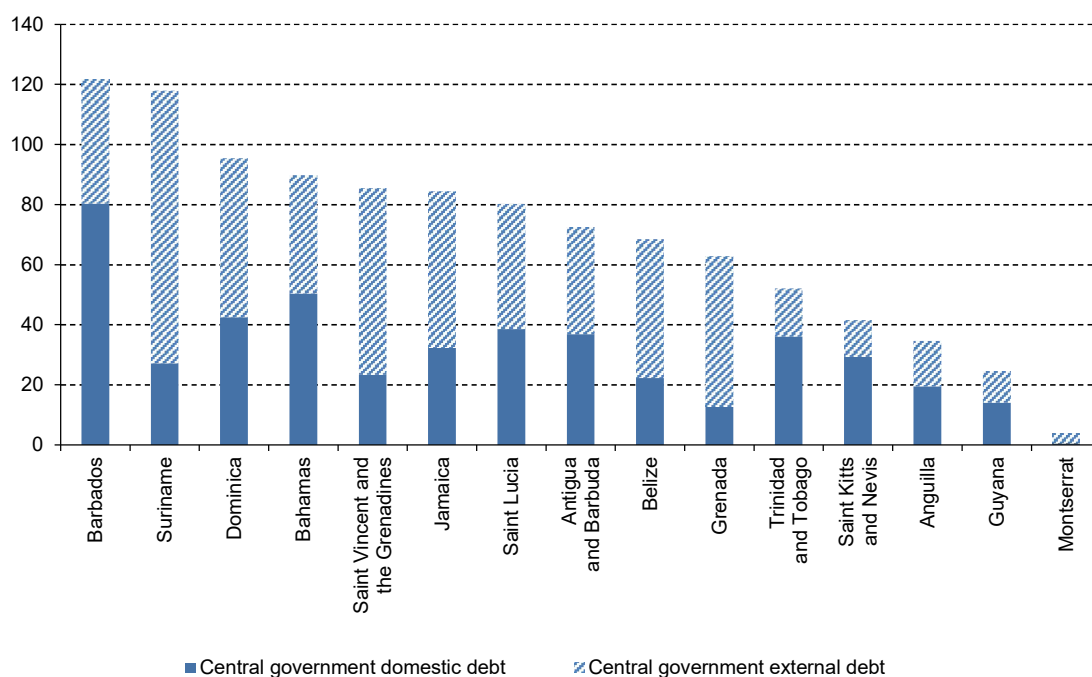
B. Debt

Although it remains an important challenge to the subregion, the debt situation improved in 2022. Public debt contracted from 78.1% of GDP in 2021 to 69% of GDP in 2022. This level is still above the 60% benchmark, which the IMF and some countries in the subregion use as a sustainability target; nevertheless, the downward trend if maintained through consolidation programmes, could lead to more sustainable debt dynamics in the subregion over time. The debt of the goods producers fell by 9.3% of GDP to 65.8%, while for the service producers, the reduction was similar at 9.1% of GDP. Notably, public debt declined in all countries except Suriname.

Among the goods producers, the largest contractions in debt were observed in Anguilla, Jamaica, Barbados, the Bahamas and Trinidad and Tobago. Debt reduction in Anguilla was driven by a robust recovery in activity that boosted revenues and led to significant repayment of debt that reduced outstanding balances. Value added in tourism expanded by 100.0% leading to economic growth of over 21%. In Jamaica, meanwhile, the decline in the debt ratio mainly reflected a 16.8% rise in nominal GDP, which deflated the ratio. Debt accumulation slowed in Barbados due to the strong fiscal outturn, with

the recovery in economic activity. The country completed a debt-for-nature swap in 2022, which exchanged US\$150 million of international bonds and provided US\$50 million for marine conservation. This would provide increased fiscal space for the country. In the Bahamas, public debt declined by 15 percentage points, owing to strong growth in GDP as the debt actually rose in nominal terms. This highlights the importance of firm GDP growth in achieving debt sustainability in the Caribbean. Trinidad and Tobago was able to secure a 14.4 percentage points decline in its debt ratio, reflecting the impact of the growth recovery and the fiscal surplus, which reduced government's borrowing requirement.

Figure 2
Total public debt, 2022
(Percentage of GDP)



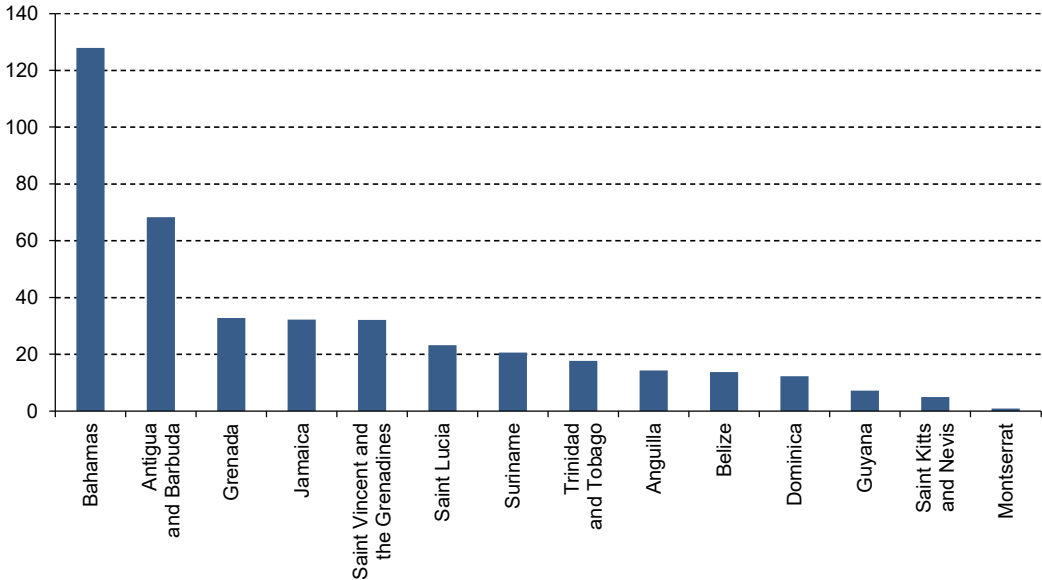
Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

C. Debt Service Payments

The average debt service payments as a percentage of government revenue declined by 1.1 percentage points to 30.4% in 2022. The overall development was mainly influenced by the 2.7 percentage point decline in the debt service ratio for service producers, as the ratio for goods producers increased by 2.1 percentage points.

Among the service producers, the largest reductions in the debt service ratio occurred in Guyana, Antigua and Barbuda, Anguilla and Trinidad and Tobago. Not surprisingly, Guyana secured the greatest decline in the debt service ratio on the backs of substantial oil receipts with substantial growth in production and higher international fuel prices. Antigua and Barbuda was able to lower its debt ratio due to strong growth in revenues that outweighed the increase in debt service payments. Similarly, in Anguilla, a strong over 37% expansion in current revenue helped to reduce the debt service ratio to 14.2% of revenue. Trinidad and Tobago's reduction in the debt service ratio was underpinned by the recovery in revenues that led to lower government borrowing.

Figure 3
Total debt service 2022
(Percentage of government revenue)



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

III. Monetary Policy and Prices

In 2022, the Caribbean largely continued to adopt an accommodative monetary policy stance. As such, this section of the report examines monetary policy, and analyses its impact on monetary aggregates, as well as the evolution of the inflation rate.

In 2022, the Caribbean invariably continued its accommodative monetary policy in an attempt to minimize the ongoing disruptive demand-side and supply-side impact of the COVID-19 pandemic on the region's economies. As such, monetary policy adopted by the respective Central Banks within the Caribbean sought to increase liquidity in an attempt to facilitate a rise in consumption and investment.

Instances of the accommodative monetary policy measures were reflected by unchanged interest rates. For example, Antigua and Barbuda, Saint Kitts and Nevis, Suriname, and Trinidad and Tobago (T&T) kept their interest rates unchanged at 7.5%, 6.8%, 14.7%, and 7.0% respectively. Similar approaches were also seen in the exchange rate policy. For instance, the ECCU kept their exchange rate fixed at EC\$2.7 = US\$1; the Central Bank of Barbados maintained their exchange rate at BD\$2 = US\$1; and the Central Bank of Trinidad and Tobago kept its exchange peg at TT\$6.78 = US\$1. Only Suriname experienced any significant change in their US\$ exchange rate.

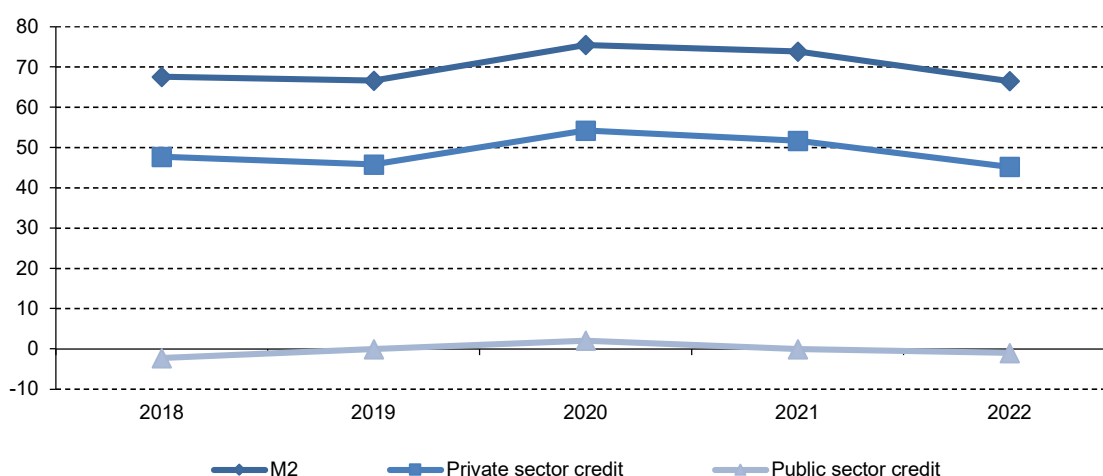
Some instances on monetary policy tightening did however occur. For instance, in Dominica, the interest rate rose from 5.9% in 2021 to 6.2% in 2022. This move helped control and reduce inflationary pressures within the economy. Similarly, in Grenada, the interest rate rose from 6.2% in 2021 to 6.9% in 2022. This was also in response to rising inflationary pressures occurring in 2022. Thus, the cost of borrowing was increased to temper consumer spending and investment, thereby cooling down Grenada's economy.

The next section analyses the impact of policy on monetary aggregates, as well as the evolution of the inflation rate.

A. Money supply and credit

The impact of the largely accommodative monetary policy stance in the subregion over the review period was reflected in the rise in M2 (narrow money plus savings deposits and time deposits) in the banking system. It was observed in the countries with available data that M2 as a percentage of GDP decreased to 66.5% in 2022 from 73.9% in 2021. This change reflected an increase in the GDP greater than the increase in M2, since M2 rose by 6.6 percentage points over the review period (see figure 4). The largest increase in M2 was recorded in Suriname, a 28% expansion, followed by Guyana with 14.5%, then Anguilla with 12.5%. The observed surges in M2 were indicative of increased liquidity in the respective countries. For Guyana, liquidity was buoyed by the windfall oil revenues entering the country.

Figure 4
M2 and domestic credit to the private and public sector, 2018–2022
(Percentage of GDP)



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

The Caribbean also recorded an overall expansion in the average domestic credit in 2022. A crucial contributor to this upward movement was credit to the private sector, which rose by 7% between 2021 and 2022. However, credit to the private sector as a percentage of GDP declined from 51% in 2021 to 45.2% in 2022 due to the relatively larger increase in the region's GDP. Countries such as Suriname, Guyana, Trinidad and Tobago, and Anguilla experienced the largest increases in private sector credit of 62.8%, 14.6%, 6.7%, and 5.2% respectively. This was tempered by contractions in private sector credit in Montserrat of -10.2%, Antigua and Barbuda of -2.1%, and Saint Vincent and the Grenadines of -0.8%.

Credit to the public sector declined by -1% in 2022 relative to the previous year. Suriname was a major contributor to this contraction, as its credit to the public sector dropped from 19.4% of GDP in 2021 to 7.5% in 2022. Notably, from 2015 to the present, Suriname's economy faced several challenges including a contraction in growth, debt distress, declining foreign reserves, and currency depreciation. Therefore, decline in public sector credit in 2022 reflected a fall in public borrowings amid a challenging economic environment. Trinidad and Tobago, Saint Vincent and the Grenadines, and Grenada experienced declines in the public sector credit by -43.9%, -41.2%, and -17.0% respectively. In contrast, Guyana, Anguilla, and Saint Lucia experienced the largest increases in public sector credit by 393.2%, 52.3%, and 28.1% respectively.

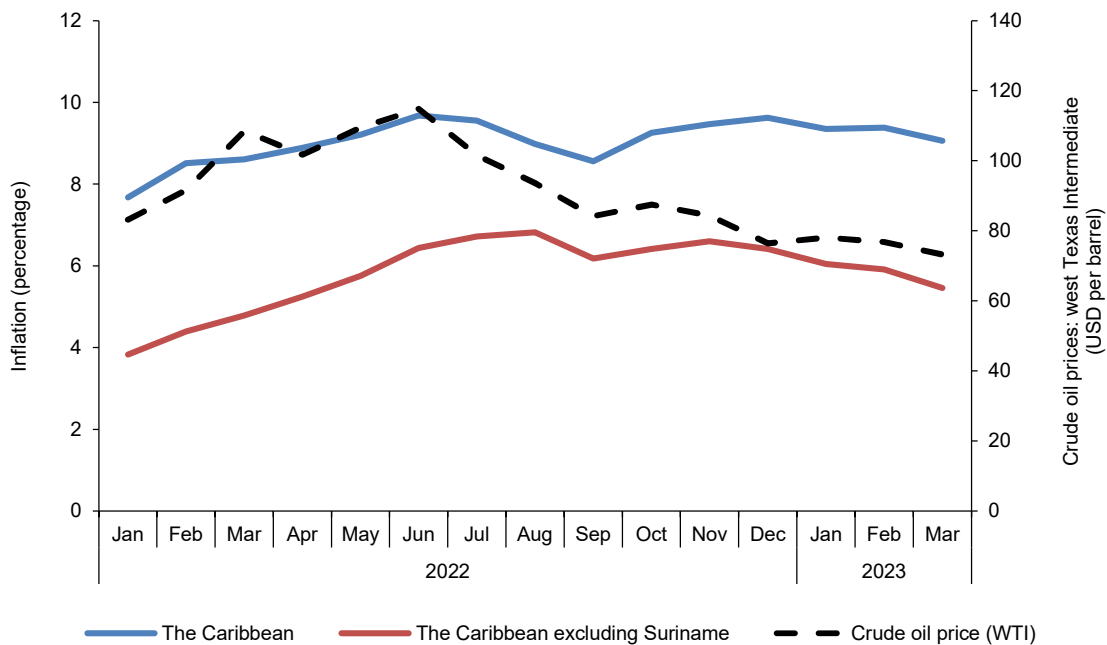
B. Inflation

In 2022, the Caribbean experienced somewhat acute inflationary effects. This is reflected in the rise in the (y-o-y) average inflation of 9.6% in December 2022, up from 7.5% in December 2021. Suriname, whose economy is significantly challenged, is a major contribution to the regional average inflation. When Suriname is excluded from the Caribbean recorded average (y-o-y) inflation of 6.4% in December 2022, up from 3.7% in December 2021.

In this regard, it is noteworthy that oil prices displayed their volatility in 2022. In fact, West Texas Intermediate (WTI) oil prices rose from US\$83.2/bbl in January 2022 to a peak of US\$114.8/bbl in June 2022, then contracted to US\$76.4/bbl by December 2022. The growth in oil prices during the first half of the year was largely driven by geopolitical tensions. More specifically, during the first half of the year, there was speculation arising from the Russia-Ukraine conflict, which commenced after the February 2022 invasion. Additionally, there was a drawdown of global crude oil due to the withdrawals to meet the demand that resulted from a surge in economic activity after the global lifting of the pandemic restrictions. In the second half of 2022 oil prices declined on account of growing fears of a global economic slowdown, as well as the ongoing COVID restrictions in China.

Inflation in Suriname was recorded at 61.5% in January 2022 and remained at relatively high levels throughout the year. The inflation in Suriname was largely due to the effects of the significant (90% in 2020) currency devaluation (the Surinamese dollar was devalued by 228% between August 2020 and October 2021). In March 2021, the Central Bank allowed the exchange rate to fluctuate in a band, with a Sur\$16.30 upper limit and a Sur\$14.29 lower limit. The exchange rate was floated in June, which caused a depreciation to Sur\$ 21.274 per US\$1. The effects of the depreciation filtered into local prices, causing the inflation rate to eventually peak at 74.4% in August 2021. By March 2022, the inflation rate remained relatively unchanged at 62.2%, representing a continuation in inflationary prices locally.

Figure 5
Inflation and West Texas intermediate oil prices, Jan 2022–Mar 2023



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data; U.S. Energy Information Administration.

IV. External sector developments

In 2022, the external sector of most Caribbean economies benefitted from a fall in international energy prices. The fall in prices resulted in decreased imports and smaller trade deficits, in general. This section examines the evolution of two key components of the balance of payments, the current account balance and foreign direct investment inflows.

A. Current account

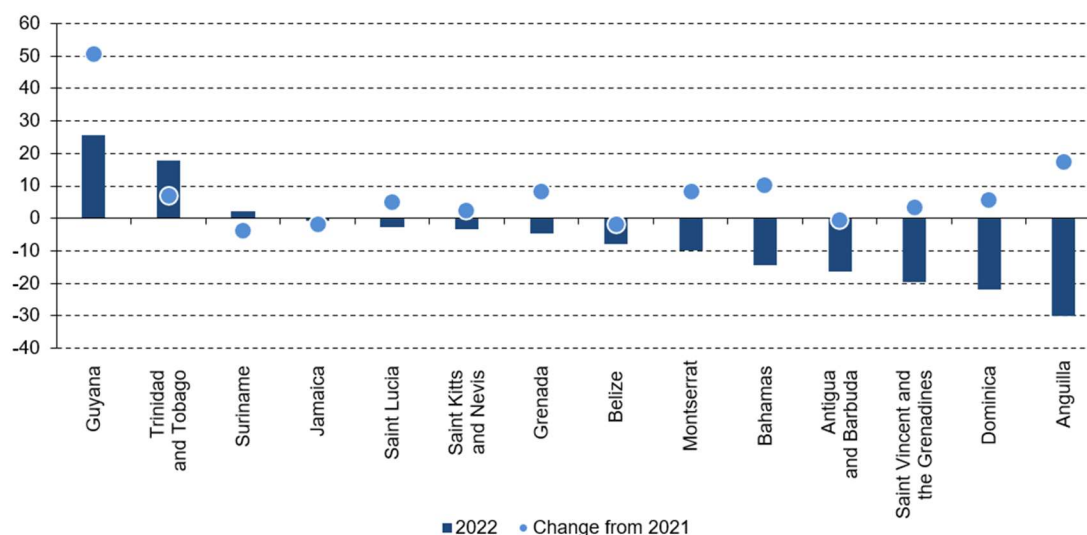
The average current account balance in the Caribbean narrowed to 6.4% of GDP in 2022 relative to -13.8% of GDP in 2021. As is typical most economies reported a deficit in the current account. The number of economies reporting a current account surplus remained at three, which is typical for the Caribbean. Of the 14 countries with data, 4 experienced a worsening of the current account balance while the others saw an improvement. A main contributor to the improvement was the moderating of international energy prices in the second half of the year, which reduced oil and gas imports.

The majority of the overall improvement was due to the major turnaround in Guyana, which moved from a deficit of 24.8% of GDP in 2021 to a surplus of 25.8% in 2022. Guyana's current account performance was due to an increase in exports of 159% –stemming from increased oil production– and a return to trend of imports following large capital goods purchases in 2021 for their second oil production vessel, the Liza Unity. Two of the other goods producing economies, Suriname and Trinidad and Tobago also posted current account surpluses, of 2.2% and 18% of GDP respectively, while Belize posted a deficit of 8% of GDP. On average, the current account balance of the goods producers improved from a deficit of 3.5% of GDP to a surplus of 9.5%.

The service producers also experienced an improvement in their current account deficit, which contracted from 17.5% of GDP in 2021 to 12.2% in 2022. Several service producing economies experienced a narrowing of their current account of deficit, with the largest in Anguilla, where it narrowed from 47% of GDP to 30% in 2022. The large deficit in 2021 partly reflected increased prices of imported commodities. Six other economic had improvements in their current account deficit of five

percentage points or more in 2022: The Bahamas (10.4), Dominica (5.8), Grenada, (8.5), Montserrat (8.4), and Saint Lucia (5). Only two service producing economies experienced a worsening of their current account deficits: Jamaica (-1.8 percentage points), and Antigua and Barbuda (-0.7 percentage points). The positive outturn can be attributed to increased number of visitors in 2022, as the economies continued rebounding from the COVID-19 pandemic.

Figure 6
Current account balance, 2022
(Percentage of GDP)



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

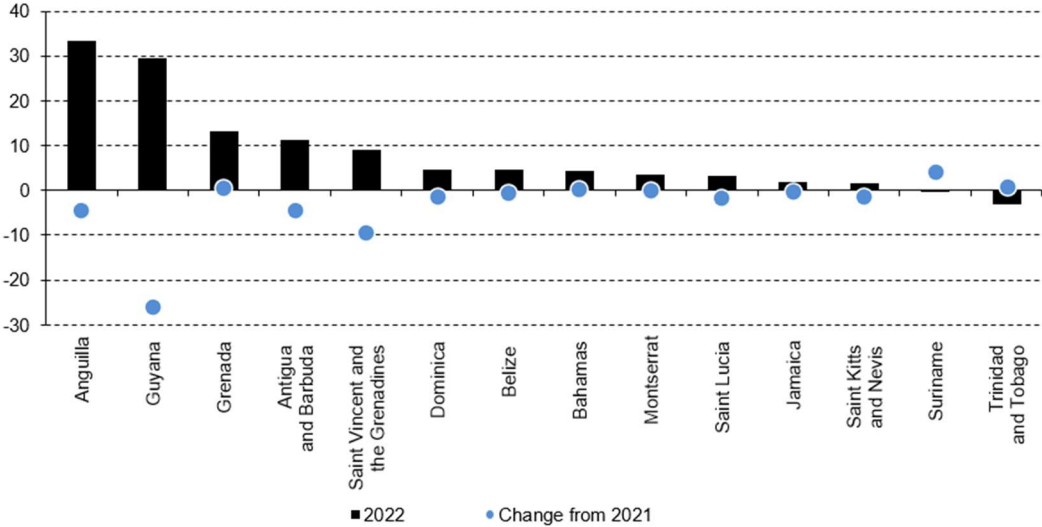
B. Foreign Direct Investment

The role of Foreign direct investment (FDI) is important as it creates employment, is a source of foreign exchange and in some cases helps in technology transfer and the upgrading of local skills. Total FDI inflows for the Caribbean increased to US\$ 5,414.2 million, up from US\$ 5,245.8 million in 2021. The average FDI inflows, as a per cent of GDP, decreased by 3.1 percentage points to 8.34% in 2021 (figure 7).

Among the goods producing economies, that contribute 66.6% of the total FDI among the 15 Caribbean countries assessed, the average FDI inflows as a per cent of GDP decreased by 5.4 percentage points to 7.7%. This decline primarily resulted from a contraction in FDI inflows in Guyana – also stemming from flows related to the importation of the Liza Unity vessel in 2021. Guyana's FDI inflows fell from 55.6% of GDP in 2021 to 29.6% in 2022. Among the other goods producers, only Belize had positive inflows (4.53%) in 2022 as both Trinidad and Tobago reported negative inflows. In the case of Suriname this was due to repatriated earnings of foreign companies while in Trinidad and Tobago this was mostly due to the repayment of intercompany loans.

For the service producing economies, who contribute 33.4% of total FDI inflows among the 15 Caribbean economies assessed, inflows fell by two percentage points to 8.2%. FDI inflows fell in eight of the eleven service producing economies of the Caribbean, with the largest declines (as a per cent of GDP) in Antigua and Barbuda (4.5%) and Anguilla (4.5%). Most of these countries saw a decline following a post-COVID-19 rebound in 2021. FDI continued to grow in The Bahamas and Grenada, driven by intercompany loans in the case of the former.

Figure 7
Year-on-year change in foreign direct investment inflows, 2022
(Percentage of GDP)



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

V. Conclusion

In 2022 the post-COVID-19 rebound in the Caribbean (excluding Guyana) strengthened, as growth grew to 6.2%. All countries exhibited positive growth for the first time in 15 years. The average growth including all Caribbean countries was 13.2%, driven by explosive growth in Guyana. The start-up of the second oil production vessel in Guyana resulted in the country posting its highest growth rate yet, at 62.3%. The Caribbean subregion was challenged by rising inflation caused by major international events: the onset of the Russia-Ukraine war and supply chain bottlenecks in China. As a result of these two events global inflation grew to 8.7%. This inflation spread to the Caribbean, which experienced inflation rising to 6.8% (excluding Suriname) in July 2022 and as high as 11.8% in Jamaica and 10.9% in Guyana. Inflation began falling in the second half of 2022; this trend continued into the first few months of 2023.

Fiscal performance in the subregion improved in 2022. The overall fiscal deficits contracted, particularly in the goods producing economies. This improvement led to a steep decline in public debt, from 78.1% in the previous year to 69.0% in 2022. This is a welcome sign after the response to the pandemic caused average Caribbean debt to spike by almost 20 percentage points, but debt ratios remain above 2019 levels.

In the external sector the average current account deficit contracted from 13.8% of GDP in 2021 to 6.4% in 2022. An increase in visitor arrivals stemming from a continued recovery from the pandemic contributed to the improved result. Strong tourist arrival growth in the first quarter of 2023 bodes well for continued growth in services in this year. The region also experienced an expansion in both money supply and average domestic credit in 2022.

The outlook for 2023 is mixed. While inflation is expected to continue falling, so will growth. Shipping and food costs have come down, but headline inflation remains stubborn. Increased interest rates as a response to the inflation will slow international growth. Falling energy prices will benefit the energy importing economies but hurt the energy exporters. Economic growth in the Caribbean will fall to 7.9% and 4.2% excluding Guyana. While the rebound from the pandemic boosted growth in 2021 and 2022, 2023 will see countries returning to their long-run growth trend. In 2024 however, it is expected that growth will fall, and that the subregion will begin to return to its low-growth trend.

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