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ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN

Preliminary overview of the economies of the Caribbean 2022–2023

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Abstract

This overview examines the economic performance of economies of the Caribbean in 2022 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 concludes, while the annex includes individual country briefs that give an overview of the economic situation for the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, and a subregional assessment of the countries of the Eastern Caribbean Currency Union.

Introduction

A. The world economy and its prospects

The economic outlook for the global economy in 2023 appears less optimistic than in 2022 and there are considerable downside risks. Among these are a number of headwinds which depress investment and growth. The war in Ukraine and its inflationary impact has had a severe negative impact on global growth outcomes. Central banks, in order to dampen inflation, have generally raised interest rates which depress investment and increase risk aversion among investors. Strategies to address this challenge among low-income households have had an impact on the uptick in debt. The IMF has warned of the need for macroprudential approaches to contain rising debt. The good news is that global inflation appeared to have peaked in the third quarter of 2022. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017–2019) levels of about 3.5% (IMF 2023). Also on the downside, the rapid spread of COVID-19 in China, and resultant lockdowns, dampened growth in 2022, but the recent reopening may pave the way for a faster-than-expected recovery.

In light of continuing negative risks world output is likely to decline from 3.4% to 2.9 % in 2023.This lower growth forecast suggest that the global recession is still being felt and will take some time to retreat. The advanced economies will experience a decline from 2.7% to 1.2%. In fact, a significant number of the advanced economies are projected to see a decline in growth in 2023.

In the case of the United States, growth is projected to fall from 2.0% in 2022 to 1.4% in 2023 and as low as 1.0% in 2024. Federal reserve interest rate hikes will likely affect not just US investment but will add to the burden of US dollar denominated external debt in developing countries.

Growth in the euro area is projected to fall to 0.7% in 2023. According to the IMF (2023) the 0.2 percentage point upward revision to the forecast for 2023 reflects the effects of faster rate hikes by the European Central Bank and eroding real incomes, offset by the carryover from the 2022 outturn, lower wholesale energy prices, and additional announcements of fiscal purchasing power support in the form of energy price controls and cash transfers.

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

	2021	2022	2023
Advanced economies	5.4	2.7	1.2
Emerging market and developing countries	6.7	3.9	4.0
Euro area	5.3	3.5	0.7
Latin America and the Caribbean	6.5	6.5	2.7
China	8.4	3.0	5.2
India	8.7	6.8	6.1
United States	5.9	2.0	1.4
World	6.2	3.4	2.9

Source: International Monetary Fund, World Economic Outlook, January 2023 Update, Economic Commission for Latin America and the Caribbean.
Note: Projections for 2023.

In the case of emerging markets economies, growth is projected to rise from 3.9% in 2022 to 4.0% in 2023, with an upward revision of 0.3 percentage points for 2023 and a downward revision of 0.1 percentage points for 2024. It is estimated that about half of emerging market and developing economies have lower growth in 2023 than in 2022.While this is a far cry from the 6.7% growth in 2021 the buoyance of the growth performance of these economies continue to help sustain positive world growth.

India and China remain important sources of growth in the world economy. Dogged by low population immunity levels and insufficient hospital capacity, especially outside the major urban areas, significant health consequences could hamper their recovery. With respect to China a deepening crisis in the real estate market remains a major source of vulnerability, with risks of widespread defaults by developers and resulting financial sector instability. Spillovers to the rest of the world would operate primarily through lower demand and potentially renewed supply chain constraints. China's growth is estimated at 3% in 2023 and if the recovery continues it will be higher in 2024. India on the other hand rolls on from 6.8% in 2022 to 6.1% in 2023.

Growth in Latin America and the Caribbean will continue to lag from 6.5% in 2022 to a mere 2.7% in 2023 reflecting tighter financial conditions, lower prices of exported commodities, and downward revisions to their major trading partner growth.

B. The Caribbean growth rates

The Caribbean economies were devastated by the closure of the tourism-based economies and the decline in commodity prices. In addition, the inflationary impact of the Russia/Ukraine war has had a negative effect on average income levels. In the aftermath of the pandemic, the Caribbean economies are returning slowly to some semblance of normality as the tourism sector opens up. However, the demise of the airline LIAT which was a major intraregional air carrier and fewer flights to the Caribbean has resulted in airlift being a bottleneck to the important tourism sector. More generally the Caribbean has historically recovered slowly from global crises due to the slow return of investment.

Table 2
Caribbean GDP growth rates, 2020–2023
(Percentages)

	2020	2021	2022	2023
Anguilla	-29.9	12.8	21.6	5.5
Antigua and Barbuda	-17.5	5.3	8.5	7.6
Bahamas	-23.8	13.7	8.0	4.1
Barbados	-14.0	0.5	10.0	3.5
Belize	-13.4	15.2	9.5	5.0
Dominica	-16.6	6.5	5.0	3.5
Grenada	-13.8	5.7	3.7	3.6
Guyana	43.5	18.5	52.0	30.0
Jamaica	-9.9	4.6	2.8	3.0
Monserrat	-1.1	5.5	-1.2	3.0
Saint Kitts and Nevis	-14.2	-3.9	6.4	10.4
Saint Lucia	-20.4	7.0	9.5	5.9
Saint Vincent and the Grenadines	-5.3	0.7	2.7	3.7
Suriname	-15.9	-2.7	2.1	2.4
Trinidad and Tobago	-7.7	-1.0	2.0	2.0
The Caribbean	-9.2	5.1	10.3	7.8
Goods producers	-1.6	3.7	14.8	11.4
Service producers	-15.7	6.5	6.0	4.0
The Caribbean excluding Guyana	-13.1	3.4	4.5	3.3
Goods producers excluding Guyana	-9.5	-0.3	2.5	2.3

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

For the Caribbean as a whole, the rate of economic growth is projected to decline from 10.3% in 2022 to 7.8% in 2023. This however includes Guyana which whose growth rate has been astounding since the discovery of oil in 2015.When Guyana is excluded the rate of growth which was 4.5% in 2022 will fall to 3.3% in 2023.

Looking closely at the goods producing economies, the rate of growth was 14.8 precent in 2022 and will fall to 11.4% in 2023. When Guyana is excluded however this growth rate falls to 2.5% in 2022 and 2.3% in 2023.

In terms of individual performances Guyana's growth will outstrip all the others. This will fall from 52% in 2022 to 30% in 2023. For most of the countries, the performance in 2023 will be much less than in 2022. For example, Anguilla will show a decline from 21.6% to 5.5%. Antigua and Barbuda will show a decline from 8.5% to 7.6%, and the Bahamas from 8.0% to 4.1%. In the case of Barbados growth will fall from 10% to 3.5% in 2023.

The countries Belize, Dominica, Grenada and Saint Lucia will also experience declines in 2023 relative to 2022. The exceptions are Jamaica, which is projected to increase to 3.0% in 2023 from 2.0% in 2022 and Monserrat to increase to 3.0% from –1.2% in 2022. Growth rates in Saint Vincent and the Grenadines are expected to increase from 2.7% to 3% and Suriname to 2.4% in 2023 from 2.1% in 2022. Trinidad and Tobago will once again post growth of 2.0% in 2023 as in 2022.

Table 3
Caribbean GDP growth rates index, 2020–2023
(2019=100)

	2020	2021	2022	2023
Anguilla	70.1	79.1	96.2	101.6
Antigua and Barbuda	82.5	86.8	94.2	101.4
Bahamas	76.2	86.6	93.6	97.4
Barbados	86.0	86.4	95.1	98.4
Belize	86.6	99.8	109.2	114.7
Dominica	83.4	88.8	93.3	96.5
Grenada	86.2	91.2	94.6	97.9
Guyana	143.5	170.0	258.4	336.0
Jamaica	90.1	94.2	96.9	99.8
Monserrat	98.9	104.3	103.1	106.1
Saint Kitts and Nevis	85.8	82.4	87.7	96.9
Saint Lucia	79.6	85.2	93.3	98.8
Saint Vincent and the Grenadines	94.7	95.4	98.0	101.6
Suriname	84.1	81.8	83.5	85.5
Trinidad and Tobago	92.3	91.4	93.2	95.1
The Caribbean	90.8	95.5	105.3	113.5
Goods producers	98.4	102.0	117.1	130.4
Service producers	84.3	89.7	95.1	98.8
The Caribbean excluding Guyana	86.9	89.9	93.9	97.0
Goods producers excluding Guyana	90.5	90.2	92.5	94.6

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

Given the significant decline in the growth rates during the COVID-19 period and the slow recovery of the Caribbean, it is important to interpret the posted and projected growth rate with care. For example, one important question is whether current real rates reflect the lower base year. To clarify this issue an index was developed based on the 2019 base period to see of incomes have recovered since then. In the table above the overall index for the Caribbean shows that since 2022 real incomes have recovered but this is inclusive of Guyana. When Guyana is excluded, it is clear from the indices of 93.9 in 2022 and 97.0 in 2023 that incomes have not yet returned to the 2019 level. For the goods producers excluding Guyana, the index values of 92.5 and 94.6 suggest that incomes have not yet recovered.

A similar story can be told of the service producers where the index was 95.1 in 2022 and 98.8 in 2023. At the individual country level, beside Guyana, only a few other countries will surpass their 2019 income level in 2023: Anguilla (101.6), Antigua and Barbuda (101.4), Dominica (114.7) and Monserrat (106.1).

C. Unemployment

The gradual opening of the subregional economies despite some reversals from high inflation and the decline in investment in some areas, have resulted in the decline in the unemployment rates.

The opening of businesses, less need for social distancing and the general easing of supply chains disruption caused by the health emergency has created a sense of normalcy. Not surprisingly, relative to

2019 the unemployment rates for all the countries for which there are data declined. For the Caribbean as a whole unemployment rates fell from 13% 2021 to 8% in 2022 respectively. There were also gender differences in unemployment rates and these were aggravated by the differential impacts of the pandemic at the sectoral level. Women tend to dominate the service sector jobs in the tourism-based economies. Unfortunately, no estimates for 2022 or 2023 are available at this time.

Table 4
Caribbean unemployment rates, 2017–2022
(Percentages)

Country	2017	2018	2019	2020	2021	2022
Bahamas	10.1	10.7	9.5			
Barbados	10.0	9.7	10.1	15.7	14.1	7.1[a]
Belize	9.3	9.4	9.0	13.7	10.2	5[b]
Grenada	23.6	20.6	15.4	24.9	18.1	
Jamaica	11.7	9.1	7.8	10.3	8.5	6.4[c]
Saint Lucia	20.2	20.2	16.8	21.7	21.9	16.8[c]
Suriname	7.6	9.4	10.5			
Trinidad and Tobago	4.8	3.9	4.3	5.7	5.4	4.8[c]
Caribbean average	12.2	11.6	10.4	15.3	13.0	8.0
Goods producers	7.2	7.6	7.9	9.7	7.8	4.9
Service producers	15.1	14.1	11.9	18.1	15.6	10.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
[a] September 2022.
[b] October 2022.
[c] Q1-Q2 2022 average.

In the case of the goods producers (in this case only data for Trinidad and Tobago is available) the rate fell from 5.4% in 2021 to 4.9% in 2022. The service producers have sustained higher rates relative to the goods producers and these fell from 15.6% to 10.1% in 2022.

I. Macroeconomic performance

This section analyses the performance of key macroeconomic indicators that affect macro-stability in the Caribbean in 2022.

A. Fiscal and debt

1. Fiscal

The continued recovery in economic activity led to higher government revenues relative to expenditure and a decline in the fiscal deficit. The deficit contracted by 0.8 percentage points to 2.9% of GDP (see table 5 below). The service producers registered a smaller (0.6 percentage points) decline in their deficit to 3.2% of GDP, while for the goods producers the deficit narrowed by 1.4 percentage points. The deficit declined in six countries and increased in the remaining seven. Dominica and Trinidad and Tobago (7.0 percentage points), respectively, The Bahamas (4.7 percentage points) and Barbados (4.3 percentage points) recorded the largest declines in the deficit. Trinidad and Tobago's deficit contracted owing to growth in revenues that were boosted by higher receipts from its oil and gas sector that offset more modest growth in expenditure. The Bahamas's fiscal outturn was bolstered by a hike in revenues on the backs of the recovery of tourism and related activities amidst more restrained growth in spending, which normalized following extraordinary growth to cope with the pandemic and hurricane recovery. The strengthened fiscal position in Barbados resulted from a recovery in revenues, including VAT receipts and the pandemic levy, which was reinforced constrained expenditure. Guyana also posted a decline in its deficit by 2.6 percentage points to 4.3% of GDP. Despite higher spending on infrastructure and social assistance programmes, the surge of receipts from the oil sector enabled Guyana to reduce its deficit.

By contrast, the fiscal position worsened in Saint Kitts and Nevis, Suriname, Saint Vincent and the Grenadines, Belize, Grenada and Jamaica. The situation reversed in Saint Kitts and Nevis from a surplus of 7.2% of GDP in 2021 to a deficit of 1.2% of GDP in 2022. This stemmed from a significant capital expenditure outlay of XCD 200 million to repurchase land that offset firm growth in receipts from the Citizenship by Investment Programme. Suriname's fiscal position deteriorated, owing in part to the reintroduction of fuel subsidy aimed at lowering prices for consumers, which led to lower government revenue amidst higher spending. The slippage in the fiscal position of Saint Vincent and the Grenadines resulted from increased capital spending on infrastructure projects and a decline in grant receipts.

Meanwhile, Belize posted a higher deficit, owing to a reduced revenues as a result of a cut in taxes on fuel to cushion the impact of higher prices on households and a marginal increase in expenditure.

Table 5
Fiscal balance, 2017–2022
(Percentage of GDP)

	2017	2018	2019	2020	2021	2022
Antigua and Barbuda	-2.4	-3.2	-3.8	-5.5	-4.5	-2.4
Bahamas	-5.3	-3.3	-1.7	-8.4	-12.0	-7.3
Barbados	-4.5	-0.3	3.6	-4.6	-5.1	-0.8
Belize	-1.1	-0.8	-3.7	-8.8	-0.5	-1.7
Dominica	0.5	-7.1	-15.1	-3.6	-7.0	0.0
Grenada	3.0	4.9	5.0	-4.5	-0.2	-3.0
Guyana	-3.3	-2.7	-2.8	-7.9	-6.9	-4.3
Jamaica	0.5	1.2	0.9	-3.1	1.0	0.3
Saint Kitts and Nevis	1.8	3.0	0.6	-2.5	7.2	-1.2
Saint Lucia	-1.1	-1.8	-2.2	-9.2	-8.4	-7.6
Saint Vincent and the Grenadines	-1.9	-1.5	-3.2	-6.1	-5.0	-6.7
Suriname	-7.4	-10.1	-18.4	-9.6	1.7	-1.0
Trinidad and Tobago	-8.9	-3.5	-2.5	-11.7	-8.3	-1.3
The Caribbean	-2.3	-1.9	-3.3	-6.6	-3.7	-2.9
Goods producers	-5.2	-4.3	-6.9	-9.5	-3.5	-2.1
Service producers	-1.1	-0.9	-1.8	-5.3	-3.8	-3.2

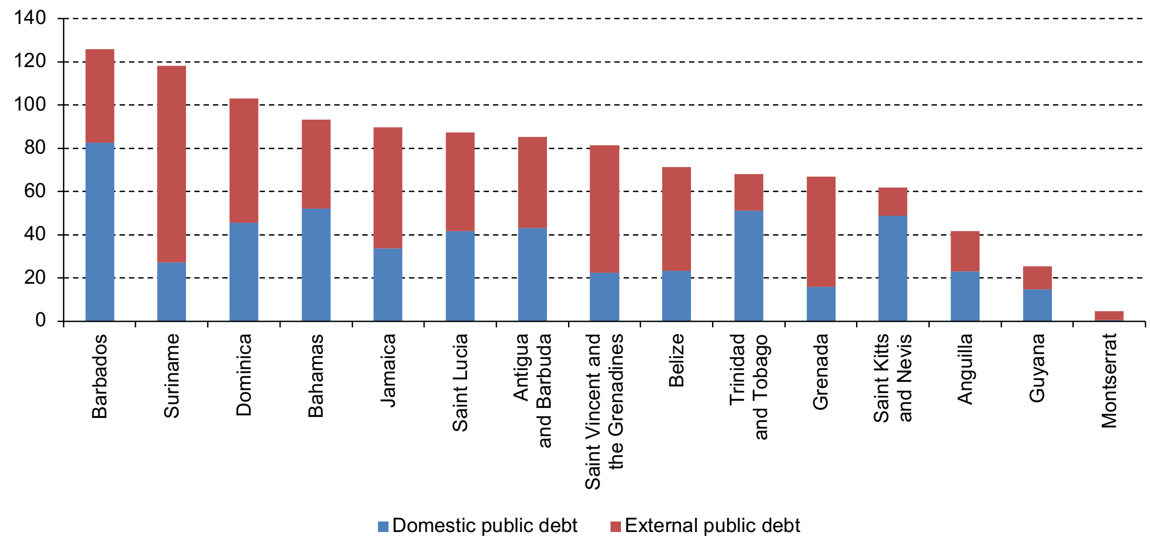
Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

2. Debt

The ratio of public debt to GDP continued to trend downwards following the spike in debt and collapse of GDP during the pandemic. For the Caribbean as a whole, the debt ratio contracted by 7.6 percentage points in 2022, reflecting the steady normalization of growth in debt and the recovery of nominal GDP. The service producers fared better with the debt ratio declining by 7.9 percentage points to 76.5% of GDP, while for the goods producers, the reduction was 6.8 points to 70.8% of GDP. Buttressed by high oil revenues from its oil sector, Guyana recorded the largest (13.4 percentage points) decline it is debt ratio. Barbados, Jamaica and The Bahamas with reductions of 11.9, 11.4 and 10.4 percentage points, respectively also made good progress in lowering their debt ratios. The fall in the ratio in three countries was influenced by higher nominal economic growth supported by improved fiscal positions in Barbados and the Bahamas, while there was a lower fiscal surplus in Jamaica.

The other countries, with the exception of Suriname also posted lower debt ratios, reflecting the recovery in growth, complemented by slower growth in debt for the most part. Suriname, meanwhile, registered a 3.4 percentage point increase in its debt ratio. The total debt stock expanded by 50%, but was offset by a 46 % rise in nominal GDP, stemming from high inflation. To bring down its debt to manageable levels, Suriname restructured its debt with the Paris Club, its Eurobond Committee and the Government of India.

Figure 1
Domestic and external public debt, 2022
(Percentage of GDP)

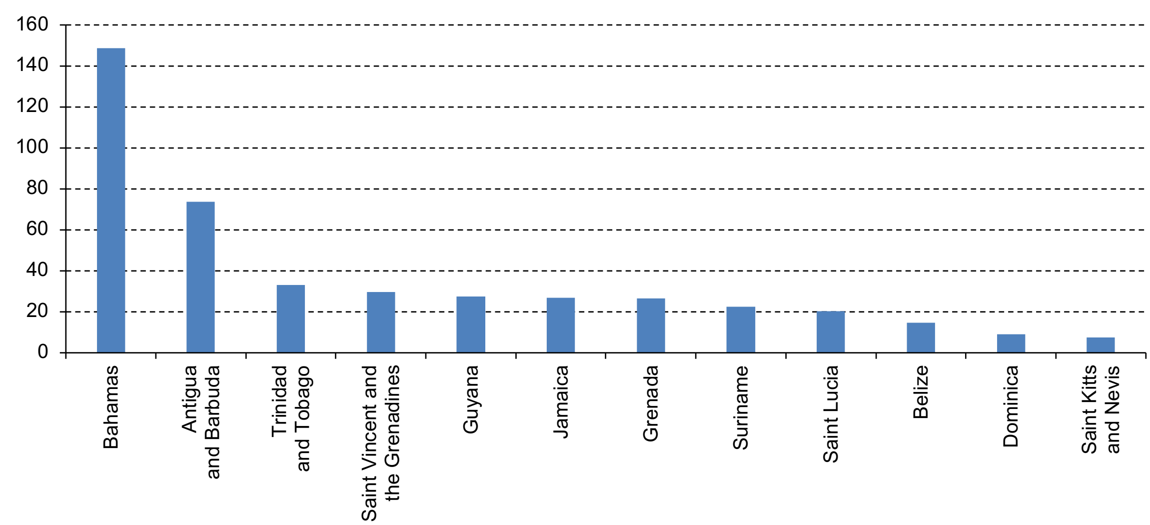


Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

3. Debt service

Relatively high debt service costs remain a serious constraint on the ability of Caribbean governments to fund public investment and social programmes. Since the pandemic, debt service costs have averaged 36.7% of government revenue across the subregion. The service producers which suffered greater fallout, due to the almost complete shutdown of their mainstay tourism sector at the height of the pandemic, had higher average debt service payments at 41.4% of revenue compared with 26.6% for the goods producers.

Figure 2
Total debt service, 2022
(Percentage of government revenue)



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

In 2022, debt service payments increased by 1.8 percentage points from 34.8% to 36.7% of revenue across the Caribbean (see figure 1 above). Nevertheless, the average increase was skewed by a substantial rise in payments in Antigua and Barbuda, which stemmed from higher borrowing in 2022 and the carryover effect of the spike in debt since the pandemic. Debt service payments in the service producers increased by 4.3 percentage points to 42.8% of revenue, while it declined by 2.2 percentage points in the goods producers. Apart from Antigua and Barbuda, debt service payments rose by 5.9 and 1.6 percentage points in Trinidad and Tobago and Saint Kitts and Nevis, respectively. The growth in the debt service ratio in Trinidad and Tobago and Saint Kitts and Nevis was in line with substantial increase in the debt during the height of the pandemic.

B. Monetary policy, domestic credit and inflation

This subsection explores the performance of monetary policy in the Caribbean and examines how effectively economies have used monetary policy tools to accomplish their macroeconomic goals. The subsection also examines trends and performance in the Caribbean's major financial indicators, such as interest rates, the money supply, and credit, in 2022.

Monetary policy stance in the Caribbean region, not dissimilar to 2021, continued to be primarily accommodative throughout 2022, however, there was some heterogeneity across the countries. For instance, the monetary policy of the Eastern Caribbean Central Bank (ECCB) maintained the discount rate unchanged at 2%, following its decrease from 6.5% in April 2020. This was necessary to encourage liquidity and to facilitate growth of the ECCU member states as they sought to recover from the pandemic. The ECCB also maintained the exchange rate of the Eastern Caribbean Currency Union (ECCU) fixed at XCD 2.70 to USD 1 further demonstrating the proclivity towards neutrality in monetary policy-setting in 2022.

Monetary policy also remained accommodative In Guyana in 2022. This is reflected by the central bank's discount rate remaining unchanged at 5.0%, and the reserve requirement ratio persisting at 10%, both of which were lowered in 2020 as part of the bank's pandemic relief measures. Broad Money supply, represented by M2, increased by 4.7% from the end of 2021 to June 2022 due to a 14.8% growth in domestic credit. This expansion in private sector credit favored the growth in the construction and engineering sectors, both of which complement the oil sector. The Bank of Guyana also kept the country's exchange rate at GYD208.5 to USD1 over the first six months of 2022.

In Belize, the accommodative monetary policy stance remained unchanged (neutral) in 2022 as the statutory liquid asset and cash reserve requirements were held constant. The Central Bank of Belize also kept the exchange rate fixed at BZD 2 to USD 1. There was a cooling of the growth of broad money to 4.5% in 2022, down from 12.3% in the previous year. Nevertheless, there was an overall expansion of domestic credit by 2.9% in 2022. This relatively unchanged accommodative monetary policy stance was maintained to encourage economic growth and shrug off the effects of the pandemic lockdown measures implemented in 2020 and 2021. The Bahamas' monetary policy also remained unchanged in 2022 as the Central Bank kept its policy discount rate at 4.0%. The lifting of the pandemic restrictions and the opening of the boarders facilitated a rebound in the tourism sector. This in turn was associated with foreign currency inflows, encouraging the growth of the country's excess foreign currency reserves and money supply. In fact, in January 2022, external reserves were BSD 2,416.50 million, and money supply (M3) was BSD 8,450 million. By December 2022, external reserves was BD 2,596 million, and money supply (M3) was BD 8,959 million.

In contrast to the rest of the region, monetary policy in Suriname was geared towards addressing inflation. Contractionary (tight) monetary policy was implemented by the Central Bank of Suriname (CBvS) issuing fixed-income securities (bonds) to absorb some of the excess liquidity in circulation. The average lending rate declined slightly to 14.5% in September 2022 from 14.7% in January 2022. The average deposit rate fluctuated as it increased from 7.1% in January 2022 to 7.8% in March, then fell to 6.8% by July. The tightening of monetary policy was also reflected by net domestic credit contracting by 2% in the first half of 2022. The exchange rate was floated by the Central Bank in June 2021. In January 2022, the exchange rate was SRD 21.460 to USD 1. By October 2022 the exchange rate stood at SRD 28.764 to USD 1. This depreciation was also affected by the US Federal Reserve interest rate hike in March 2022 by 25 basis points to 5.25%, suggesting that some capital flight caused a depreciation in the exchange rate.

1. Interest rates

In 2022, the year-on-year, average lending rates in the Caribbean grew marginally by 1 basis point from 8.18% to 8.19%[1], as many Member States took an accommodative monetary policy stance. Commercial banks, particularly in the goods producing economies, sought to make credit more easily available in an effort to stimulate demand and generate increased economic activity. Moreover, the accommodative stance adopted by the Eastern Caribbean Central Bank (ECCB) as it allowed lending rates to remain unchanged in Antigua and Barbuda, Montserrat and Saint Lucia, while contracting in Dominica, Grenada and Saint Vincent and the Grenadines. Furthermore, the lingering effects of monetary policy instruments previously utilized by Jamaica allowed the downward trend in the lending rate to continue.

Notably, The Bahamas and Saint Kitts and Nevis were the only Caribbean countries for which data were available, where lending rates increased year-on-year, from 10.0% to 11.0%, and 6.8% to 6.9% respectively. A closer examination of the data reveals that the overall upward trend in weighted average lending rates for the Caribbean during the review period, was largely due to pressure from rising inflation caused by external factors.

Similarly, the average deposit rate increased slightly in 2022 across the Caribbean, moving from 1.64% in 2021 to 1.67% in 2022. This increase came mostly from the goods producing economies, whose deposit rate grew by 50 basis points. Among the service producers the average deposit rate fell by 3 basis points, from 1.34% to 1.31%.

The interest rate spread for the Caribbean fell by 3 basis points to 6.51%. While there was a 27 basis point fall among the goods producers to 7.00%, among the service producers the spread increased by 12 basis points to 6.37%.

2. Money supply and credit

At the time of writing, data with respect to monetary aggregates and domestic credit to the private and public sector for the ECCU economies and Jamaica was unavailable; as such this subsection analyses just the six remaining economies for which data was available and subregional averages are restricted to these economies. With regard to the monetary supply, in 2022 the Caribbean average for the ratio of M1 (narrow money) to GDP was 35.2%. This was a 4.1 percentage point decrease relative to M1 money supply in 2021. This decrease in the money supply was driven by the goods-producing economies experiencing a decrease in their narrow money supply to GDP ratio from 28.4% in 2021 to 24.3% in 2022. When Suriname is excluded from the Caribbean average, the average narrow money supply in 2021 was 43.0%, but it still declined in 2022 to 38.5%in 2022.

The average private sector credit in the Caribbean declined from 42.5% of GDP in 2021 to 36.8% in 2022. This suggested that on average, there was a contraction in lending and credit to the private sector in 2022 relative to the previous year. In the goods-producing economies, private sector credit declined from 30.2% to 25.8%. In the service-producing economies, the private sector credit declined from 67.1% to58.7%. This suggests that was an overall sluggishness in lending to the private sector in both goods and services economies in the Caribbean over the 2021 to 2022 period. Even when

1 Belize Interest rates for 2022 were not available at the time of writing.

Suriname is excluded from the Caribbean average, the private sector credit of the region decreases from 47.1% in 2021 to 40.8% in 2022. Notably, the sluggishness in private sector credit in the region justifies Central Banks to operate soft and accommodative monetary policy to stimulate economic activity.

Public sector credit in the Caribbean also experienced a decline. The Caribbean average fell from 15.8% of GDP in 2021 to 12.9% in 2022. In the goods-producing economies, the public sector credit declined from 10.7% in 2021 to 8.3% in 2022. In the service-producing economies, the public sector credit fell to 22.1 percent in 2022 from 26.1 percent in 2021. When Suriname is excluded from the Caribbean average, there is still a decline in the average public sector credit from 15.1 percent in 2021 to 12.9 percent in 2022.

Table 6
Monetary aggregates and domestic credit to the private and public sector, 2022
(Percentage of GDP)

	M1	M2	Private sector credit	Public sector credit
Anguilla				
Antigua and Barbuda				
Bahamas	33.0	65.1	43.5	23.5
Barbados	100.6	115.1	73.9	20.6
Belize	42.0	72.2	41.8	13.4
Dominica				
Grenada				
Guyana	13.0	22.4	10.7	0.9
Jamaica	16.0	33.2		
Montserrat				
Saint Kitts and Nevis				
Saint Lucia				
Saint Vincent and the Grenadines				
Suriname	15.6	22.2	16.6	12.5
Trinidad and Tobago	26.6	51.4	34.0	6.2
The Caribbean	35.2	54.5	31.5	12.9
Goods producers	24.3	42.0	25.8	8.3
Service producers	49.9	71.1	39.1	22.1
The Caribbean w/o Suriname	38.5	59.9	34.0	12.9

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

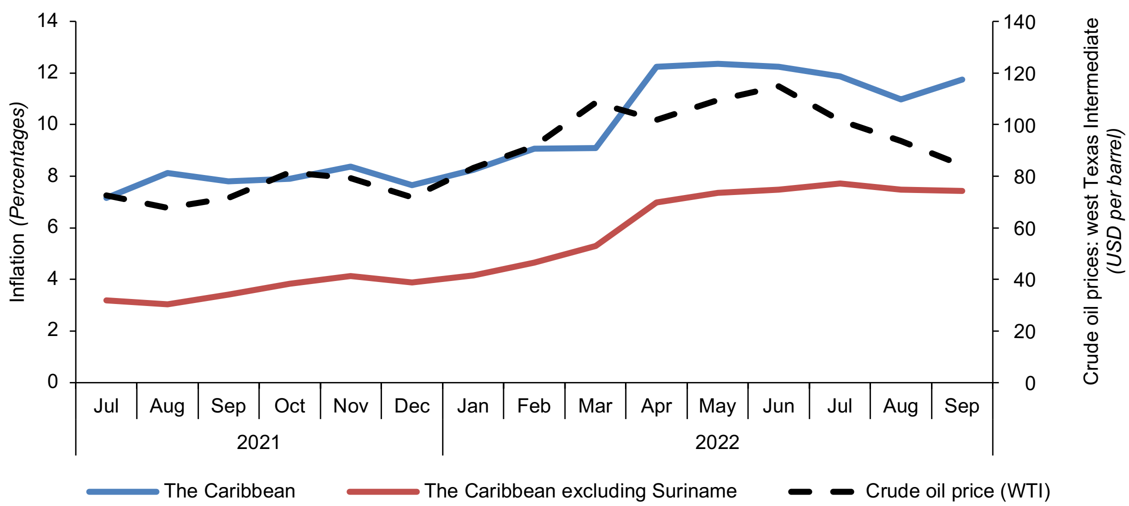
3. Inflation

On average, headline inflation in the Caribbean stood at over 8 percent from July 2021 to September 2022. Suriname was the main driver of this observed elevated Caribbean average, since it was experiencing high levels of price inflation in response to the depreciation of its floated currency.

If Suriname is excluded, the Caribbean average headline inflation is much lower. Between July and December 2022, there was some growth in the average headline inflation in the Caribbean, but it remained under 4 percent. The factors contributing to the increase of prices in the subregion included high shipping costs, supply chain bottlenecks, the shortage of shipping containers, high oil prices, and elevated prices in many major food-producing countries due to the effects of the Russia-Ukraine conflict. From January 2021 to July 2022, there was strong growth in the Caribbean (without Suriname) headline inflation. In fact, by July 2022, the average headline inflation was just 7.7 percent. This corresponded with the strong growth in oil prices from USD 71.7/bbl. in December 2021 to USD 114.8/bbl. in June 2022. By September 2022 the average headline inflation in the Caribbean (without Suriname) marginally declined to 7.4 percent. There was a 17% decline in oil prices from USD 101.6/bbl. in June 2022 to USD 84.3/bbl. in September 2022.

Suriname experienced the highest inflation in the Caribbean sub-region over the July 2021 to September 2022 period. The major factors contributing to the inflation were the effect of the currency depreciation from its floated exchange rate; the effect of the government's fiscal consolidation measures, and lingering effects of external macroeconomic shocks such as the rise in US interest rates, the war in Ukraine, and supply chain bottlenecks in many major goods exporting countries. Suriname's headline inflation rose from 60.7 percent in December 2021 to 62.2 percent by March 2022. However, government subsidies allowed for decreases in domestic prices for housing and utilities, which in turn facilitated the deadline in headline inflation to 41.9 percent by September 2022.

Figure 3
Inflation and West Texas intermediate oil prices, July 2021–September 2022



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

C. External sector

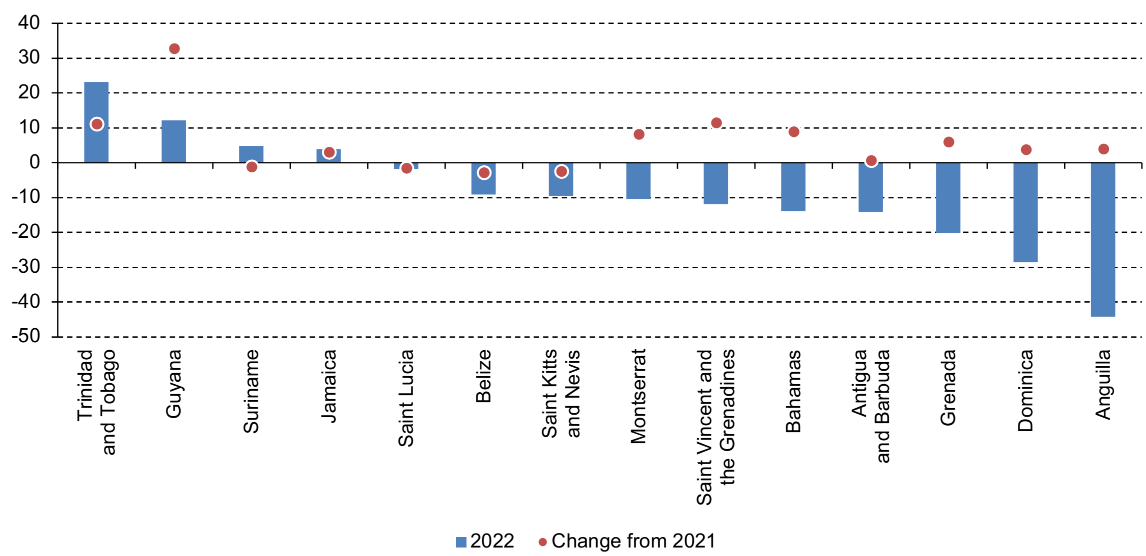
1. Current account

The balance of payments constraint remains a key impediment to structural economic stability in the Caribbean. The subregion has run average balance of payments deficits of 10.2% during the decade to 2019, before the pandemic. The current account deficit contracted from 14.2% of GDP in 2021 to 8.5% of GDP in 2022. The deficit narrowed by 3.5 percentage points in the service producers and improved from a deficit of 2.3% to a surplus of 7.8% for the goods producers. The overall performance reflected the impact of the substantial shift in Guyana's balance by 32.9 percentage points to a surplus of 12.3% of GDP. This turnaround reflected significant receipts from crude oil exports as well as a return to trend of imports, following the importation of the Liza Unity Floating, Production Storage and Offloading (FPSO) vessel in 2021. Oil exports were complemented by higher export receipts from bauxite and timber. Among the other goods producers, the current account improved by 11.2 percentage points in Trinidad and Tobago, linked to increased exports of oil and gas which benefitted from higher international energy prices. Suriname's current account surplus fell from

6.0% of GDP to 4.9% of GDP, owing to higher payments for oil imports and a widening of the services account deficit.

Among the service producers, the current account deficit narrowed by 8.9 percentage points in the Bahamas, reflecting an improvement in the services account surplus due to the strong recovery in tourism with the waning of the pandemic and a sharp increase in FDI that bolstered the capital and financial account surplus. The deficit contracted by 11.5 and 8.2 percentage points in Saint Vincent and the Grenadines and Montserrat. The reduction in Saint Vincent and the Grenadines stemmed partly from a 19.5% increase in merchandise import payments, buoyed by improved economic activity that offset growth in exports. Montserrat's deficit reduction was driven in part by a more than doubling of tourism receipts, with the rebound in the sector after the pandemic.

Figure 4
Caribbean current account balance, 2022
(Percentages of GDP)



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

2. Foreign direct investment

Net FDI averaged 8.2% of GDP in the 10-year period to 2019, before the pandemic. From 2020 to 2022, the average remained the same, partly reflecting the rebound after the slump during the pandemic. In 2022, net FDI contracted by 0.9 percentage points to 7.9% of GDP from 8.8% in 2021. The FDI ratio declined by 4.7 percentage points to 8.2% of GDP in the goods producers, but increased marginally by 0.5 percentage points to 7.8% of GDP in the service producers. The negative turnaround in the goods producers was strongly influenced by a sharp (24.7 percentage points) reduction in the ratio in Guyana. This decrease followed payments for the acquisition of the Liza FPSO vessel in 2021. However, while still negative, FDI improved by 3.0 percentage points in Suriname due to reduced repatriation of profits by investing firms. There was also a reduction in net FDI outflows in Trinidad and Tobago, leading to an improvement in the country's position by 3.1 percentage points.

Meanwhile, the increase in net FDI to the service producers stemmed mainly from increases of 1.5, 2.8, 0.7 and 0.5 percentage points in Antigua and Barbuda, Saint Vincent and the Grenadines, Anguilla and Saint Lucia. These service producers benefited from higher FDI in the tourism sector partly linked to the recovery in the sector after the pandemic.

II. Conclusion

The effects of the COVID-19 pandemic continued to wane in 2022. Economic performance in the Caribbean in this year improved from the initial recovery year of 2021. Growth was 4.5% (excluding Guyana), up from 3.4% in 2021. All the economies that contracted in 2021, Saint Kitts and Nevis, Suriname and Trinidad and Tobago, achieved positive growth in 2022.The only economy which contracted in 2022 was Montserrat.

While experiencing strong economic rebounds, Caribbean economies were beset by rapidly rising prices with domestic and external causes. Inflation rose in all economies and surpassed 10% for at least one month in several. While inflation showed signs of stabilizing in most economies, its future trajectory next year is uncertain, and depends a lot on how geopolitical events unfold.

Following the pandemic lockdowns in 2020, governments responded with expanded budgets in order to support the economy. In early 2022, the trend in fiscal data has pointed to a recovery in fiscal performance, with the deficit average in the Caribbean reaching pre-pandemic numbers. More countries reported an improvement in the fiscal balance than those that reported a worsening. Along with the improvement in the fiscal deficit was an improvement in public debt. While Caribbean governments continued their downward trend since the pandemic caused public debt to spike, debt ratios remain higher than in other regions in Latin America. Fiscal policy makers should seek to maintain this downward trend or keep debt stabilized even as growth slows coming out of the rebound period.

In 2023, growth is expected to fall to 3.3%. The end of the "bounce back" effect as well as lowered global growth prospects weighed heavily on the projection. Continued rising inflation globally, as well as the interest rate responses from central banks in major economies will dampen growth expectations. Some Caribbean economies that had delayed recoveries in 2021 and 2022 will rebound in 2023, such as Saint Kitts and Nevis and Saint Vincent and the Grenadines.

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