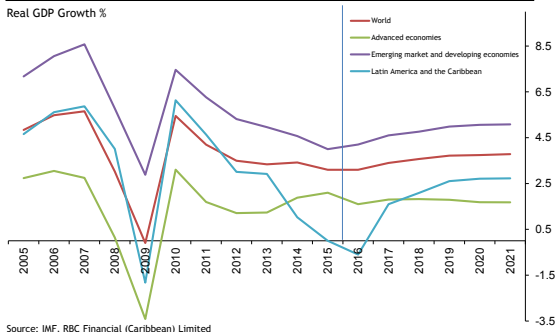


## CARIBBEAN ECONOMIC REPORT

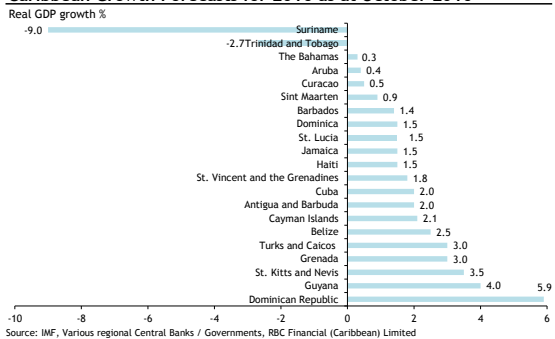
November 2016

### IMF Real GDP Growth Statistics as at October 2016



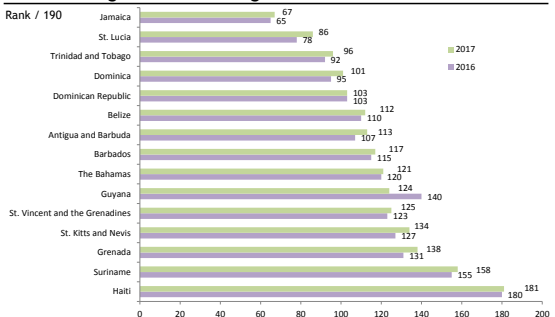
Source: IMF, RBC Financial (Caribbean) Limited

### Caribbean Growth Forecasts for 2016 as at October 2016



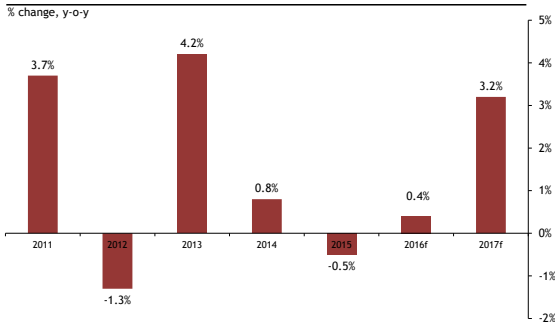
Source: IMF, Various regional Central Banks / Governments, RBC Financial (Caribbean) Limited

### Ease of Doing Business Ranking : Caribbean



Source: World Bank Ease of Doing Business Reports, RBC Financial (Caribbean) Limited

### Real GDP Growth : Aruba



Source: Central Bank of Aruba, RBC Financial (Caribbean) Limited

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## Is The Global Economy in Recession Again?

This is the third consecutive year of progressively weaker global growth, and the slowest since the GFC in 2009—only this time, there is no specific crisis with a neat acronym to blame. Instead, a myriad of mostly geopolitical factors (which may have been Trumped) have driven the global economy to the brink (at least) of a recession (defined by the IMF as annual global growth at 3% or less). Last month, the IMF held their 2016 global growth projection steady at 3.1%, despite acknowledging weaker than expected growth in H1 2016. But projecting global growth at 3% or less, thereby acknowledging a global recession, could become a self-fulfilling prophecy. Perhaps the Trump victory would now provide the perfect ex post explanation for growth at or below 3% this year. In any event, the policy response to this multi-faceted downturn must address obscene and rising global inequality (which was supported by the policy response to the last crisis), lest political ‘upsets’ continue trending. For the Caribbean, the IMF expects growth in the tourism-based economies to accelerate from 0.8% in 2015 to 1.4% in 2016 on average. T&T and Suriname are expected to contract, and Belize has stagnated. Guyana is the lone commodity-based economy which continues to grow, based mainly on two large new gold mines. The IMF highlighted Venezuela’s crisis, Cuba’s ‘opening up’, and Zika, as possible threats to Caribbean economies. Brexit is not expected to pose significant risks, except for Barbados (in the form of lower UK tourists) and Jamaica (where remittances from the UK account for 2% of GDP). Similarly, the extent to which Trump’s victory will affect the Caribbean, depends largely (for now) on the global macroeconomic and market channels—currencies, commodities, and ultimately, confidence.

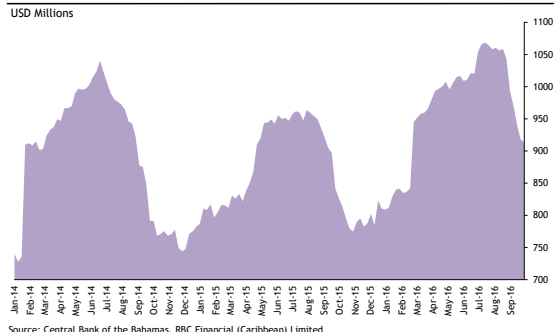
## More Difficult to Do Business in the Caribbean

The World Bank’s Ease of Doing Business 2017 report shows deterioration across all Caribbean countries, except for Guyana, which improved by a commendable 16 spots to 124th out of 190 countries. The Dominican Republic maintained its ranking at 103.

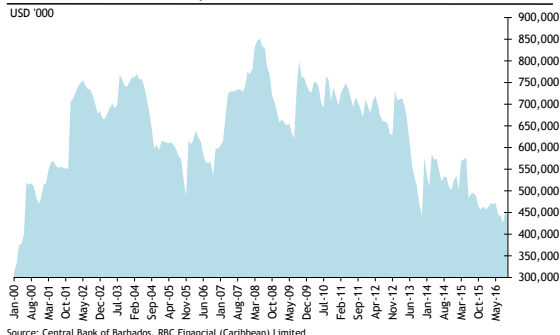
## Aruba – 2016 growth forecast cut from 1.1% to 0.4%

The Central Bank (CBA) is now projecting 2016 growth at 0.4%, down from 1.1% previously, rising to 3.2% in 2017 on the expected reopening of the refinery. The 2015 growth rate previously reported by the CBA at 0.1% was revised to -0.5%. Stopover arrivals to September 2016 were down 4.2% y/y, based on 23.5% fewer Venezuelans traveling to Aruba.

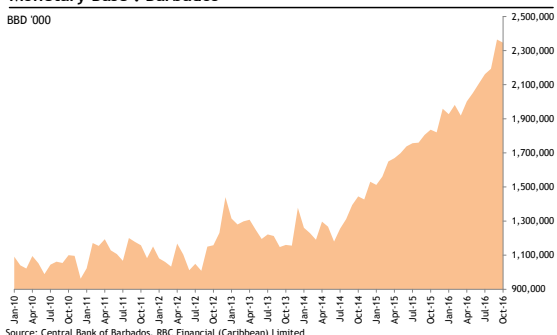
### Central Bank External Reserves : The Bahamas



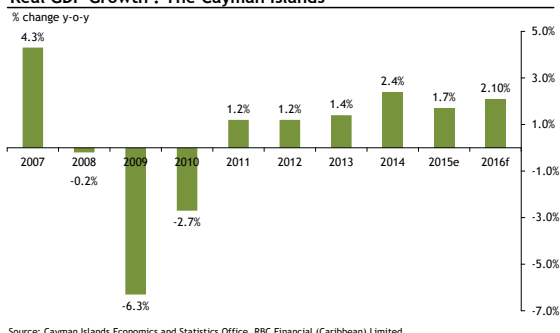
### International Reserves : Barbados



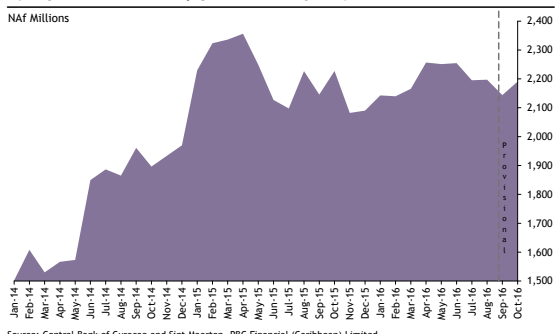
### Monetary Base : Barbados



### Real GDP Growth : The Cayman Islands



### Net Official Reserves : Curacao and Sint Maarten



## The Bahamas – Public debt restated at 85% of GDP

[Global News Matters](#) (GNM) Tourism Report shows stopover arrivals to July 2016 declining 3.4% y/y to 781,770. The Central Bank (BCB) reported that the passage of Hurricane Matthew could compound weak tourism performance. The BCB re-stated public debt/GDP ratios to reflect most recent measure at 85% in June 2016. BCB external reserves increased 10.5% y/y to USD913.23 million in September, which we estimate at roughly 2.2 months of imports.

## Barbados – 1.3% y/y growth, January-September 2016

In its Q3 2016 report, the Central Bank (CBB) estimated growth at 1.3% y/y, driven by expansion in tourism at 3%, construction at 5%, and business and other services at 3%. Growth is now projected by CBB at 1.4% this year, and the IMF has revised their 2.1% projection down to 1.7%. Unemployment averaged 10.2% for the four quarters to June 2016, down from 12% one year prior. Deflation reached 1.2% to September 2016 y/y, down from inflation of 1.2% one year prior. Total International Business Company licensees declined 7.5% y/y to July 2016, and International Banks' assets fell 16% y/y in June 2016. CBB online data show International Reserves declined 5% y/y to USD442 million in October 2016, which we estimate at 2.6 months of imports. Contributing to this decline, the fiscal deficit widened 60% y/y to BBD242 million in H1 FY2016/17, and the CBB financed 234% of this deficit, to the tune of BBD566.3 million in just six months—the same level of CBB financing for the entire FY2015/16, the CBB report revealed. The report stated that CBB money creation was BBD114 million in H1 FY2016/17 however, possibly suggesting that the difference of BBD452.3 million was sourced from Commercial Banks' excess reserves held at CBB. In any event, the monetary base expanded 28% y/y to BBD2.346 billion in October 2016, and CBB's holdings of central Government debt expanded 55.5% y/y to BBD1.877 billion or 65% of CBB's total assets, CBB online data show. The S&P sovereign rating downgrade to B- with a negative outlook, was due mainly to ongoing fiscal deterioration.

## Cayman Islands – Tourism up, but only on US arrivals

[Caribbean Tourism Organization](#) (CTO) data show stopover arrivals grew by 0.5% y/y to August 2016, as all major source markets, apart from the dominant USA, saw declining visitor numbers. Cruise passenger arrivals increased by 5.9% y/y to August 2016.

## Curacao and Sint Maarten – Tourism growth slows

According to the Central Bank, official Reserves are projected to fall by 1.65% y/y in October, to an estimated 6.2 months of imports. [GNM](#) Tourism Report shows stopover arrivals to August 2016 up 0.2% y/y in Curacao and 5.5% in St. Maarten. [CTO](#) data show stronger arrivals from all major source markets. The Curacao Hospitality and Tourism Association reported hotel occupancy at 72.4% in September 2016, up from 71.1% in September 2015.

## Dominican Republic—6.9% y/y growth to Q3 2016

After holding its policy rate at 5% since June 30th 2015, the Central Bank (BCRD) hiked by 50bps effective November 1st 2016, despite the disinflationary environment bringing inflation to 0.91% y/y in October 2016—well outside the 4.0%  $\pm$  1.0% target. The expectation of higher interest rates in the USA, somewhat higher oil prices, above-potential growth at 6.9% y/y to Q3 2016, and the resulting higher domestic inflation expectations, were cited as major drivers of the decision to tighten. The BCRD expects growth to average 6.5% this year—the highest in the Caribbean and Latin America for the third consecutive year. Stopover arrivals grew 7.1% y/y to September 2016, while cruise passenger arrivals expanded by 67%, [CTO](#) data show.

## Guyana — Growth slows but currency & reserves stable

[GNM](#) reported that UN Secretary General Ban Ki-moon will make his assessment of the Guyana/Venezuela border controversy this month, before he demits office in December 2016. The Central Bank's Q3 2016 statistics show Net International Reserves up 0.53% y/y to USD610 million, which we estimate at roughly four months of imports, while the GYD depreciated 0.46% y/y against the USD, to average GYD210.01 / USD1.00 in September 2016.

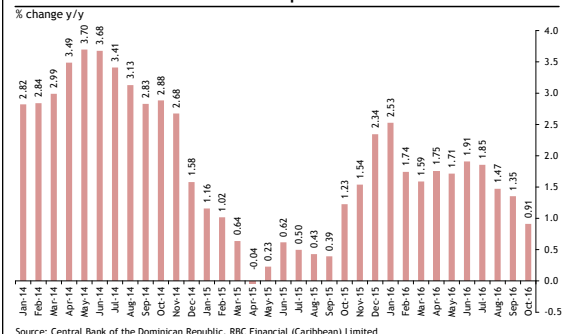
## Jamaica — IMF on Stand-By, USD1.64 billion for 3 years

According to [CTO](#) data, stopover arrivals grew 2.6% y/y to September 2016 (despite lower numbers coming from Canada), while cruise passenger arrivals rose 9.6% y/y. Following Jamaica's exemplary performance (restored economic stability, low inflation, fiscal stability, and strong reserves) under the three-year Extended Fund Facility with the IMF, a USD1.64 billion Stand-By (precautionary) arrangement for the following three years will commence. This arrangement will support growth, job creation, and poverty reduction, and is underpinned by the new Economic Growth Council—a private sector led organization working with the Government to reduce crime, improve financial access and inclusion, reduce red tape, enable privatizations and public-private partnerships, and leverage the diaspora. Continued fiscal discipline to reduce public debt to 60%/GDP by 2025/26 is planned, consistent with the 2014 Fiscal Responsibility Law. The government is also pursuing a debt-for-nature swap supported by the World Bank, divestment of state assets, and other additional avenues for debt reduction, according to the IMF. Central Bank data show the JMD depreciated 7.81% y/y in October 2016, while international reserves slipped 0.45% y/y to 20 weeks of imports.

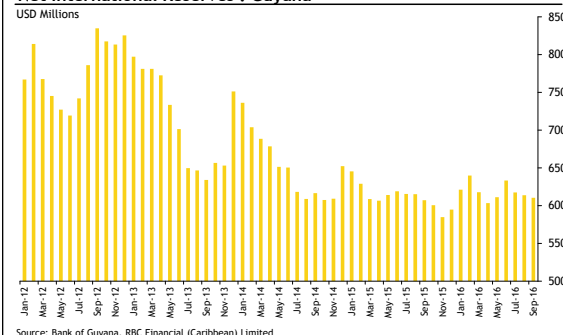
## Suriname—SRD depreciates 119% y/y to SRD7.34/USD1

Central Bank data show inflation accelerating to 77.1% in September, based on the pass-through effects of the currency depreciation and reduced subsidies. Official reserves grew 0.43% y/y in October 2016 to USD371.2 million, which we estimate at two months of imports. [The latest IMF report](#) suggests weak implementation of policy reforms—and even reversal of some reforms.

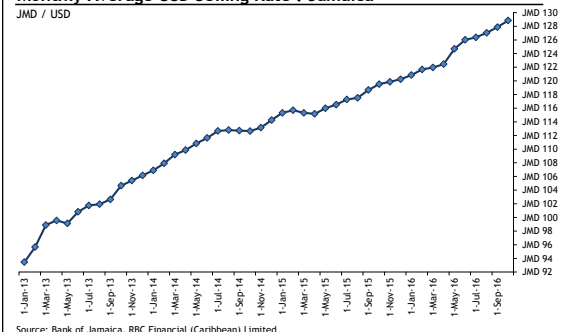
### Inflation Rate : The Dominican Republic



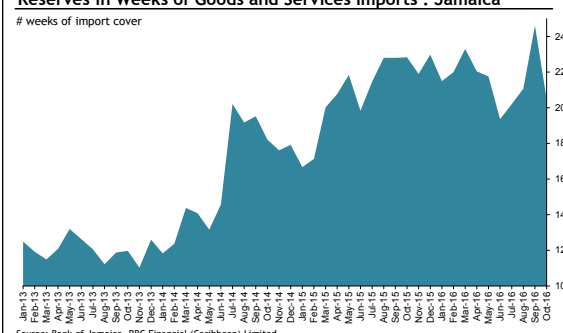
### Net International Reserves : Guyana



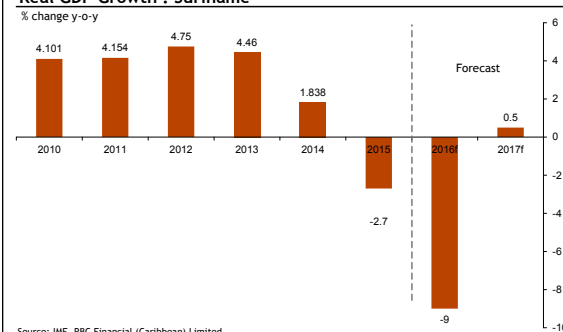
### Monthly Average USD Selling Rate : Jamaica



### Reserves in Weeks of Goods and Services Imports : Jamaica

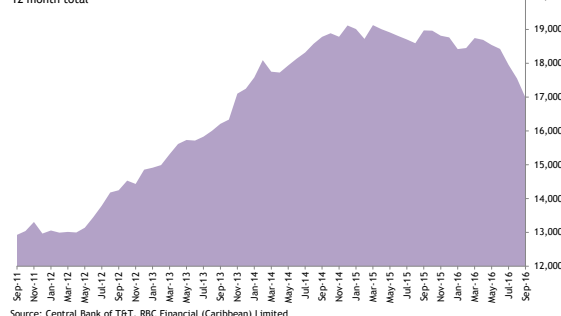


### Real GDP Growth : Suriname



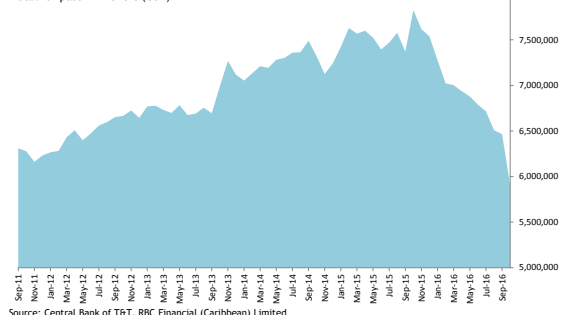
### Total Number of New Motor Vehicles Sold : Trinidad and Tobago

12 month total



### FX Sales to Authorized Dealers from Public and Central Bank

Total for past 12 months (USD)



## T&T – 6.7% contraction in H1 2016

[Please see here for RBC's report on the T&T Fiscal Budget for 2016/17.](#) The Central Bank (CBTT) recently reported; the economy contracted by an estimated 6.7% in H1 2016 y/y; unemployment rose to 4.4% in Q2 2016, up from 3.8% in Q1; a trade deficit of 3.6% of GDP was realized in H1 2016, versus a surplus of 6.2% of GDP in H1 2015; foreign reserves grew 1.6% y/y to USD9.8 billion in October 2016, representing 10.9 months of imports; and disinflation brought the inflation rate to 3% in September 2016, down from 4.9% one year prior. The TTD depreciated 6.1% y/y to average TTD6.75/USD1.00 in October 2016. For the twelve months to October 2016, USD5.91 billion was sold to authorized FX dealers—a 25% y/y decline. Of that amount, USD1.457 billion or 24.7% was injected by the CBTT—down 47.4% from USD2.77 billion one year prior. Latest CBTT data show that on average, for the 12 months to September 2015, Machinery and Transport equipment was the largest import at 31% of total, Mineral and Fuel Lubricants is the second largest averaging 29% of total, while Food, Beverages and Tobacco account for only 11% of total imports. CBTT online data show new vehicle sales for the 12 months to September 2016 have declined 10.5% y/y to 16,982 vehicles, averaging 46.5 per day.

## Caribbean Economic Indicators

		Nominal			GDP			Import	
	Popl'n	GDP (USD	Per capita	Credit Rating	change	Unemplo	Gross Public	cover	Inflation
	(000)	Billions)	GDP (USD)	& (outlook)	y/y	yment	Debt / GDP	(months)	y/y
Aruba	107	2.8	24,402	BBB+ (Positive)	-0.5%	7.6%	80.1%	5.0	-0.7%
The Bahamas	347	8.5	23,417	BBB- (Negative)	-1.7%	14.8%	85.0%	2.2	0.3%
Barbados	274	4.5	16,307	B- (Negative)	1.3%	10.2%	156.6%	2.6	-1.2%
Cayman	58	3.0	54,338	Aa3 (Stable)	2.4%	3.9%	21.0%	n/a	-0.8%
Cuba	11,300	77.1	6,848	Caa2 (Positive)	4.7%	3.0%	22.3%	n/a	1.2%
Curacao	143	3.0	20,260	A- (Stable)	0.1%	11.7%	44.3%	6.2	-0.4%
Dom Rep	10,400	60.8	7,000	BB- (Stable)	6.9%	5.7%	48.5%	3.5	0.9%
ECCU	637	5.2	8,163	n/a	2.6%	20.0%	76.0%	5.4	-1.8%
Guyana	756	2.7	3,596	Not rated	2.0%	11.0%	49.0%	4.0	1.1%
Jamaica	2,751	15.3	5,526	B (Stable)	1.5%	13.7%	120.0%	4.6	1.9%
St. Maarten	43	0.8	26,025	Baa2 (Stable)	0.5%	8.9%	36.5%	6.2	0.3%
Suriname	541	5.1	9,339	B1 (Stable)	-2.7%	9.0%	43.0%	2.0	77.1%
T&T	1,328	23.8	17,935	A- (Negative)	-6.7%	4.4%	75.5%	10.9	3.0%

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