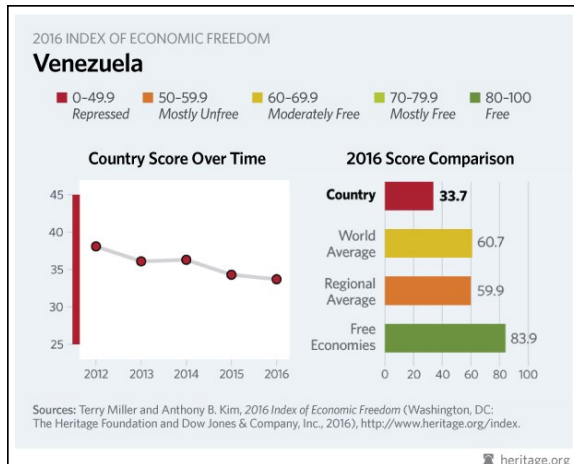
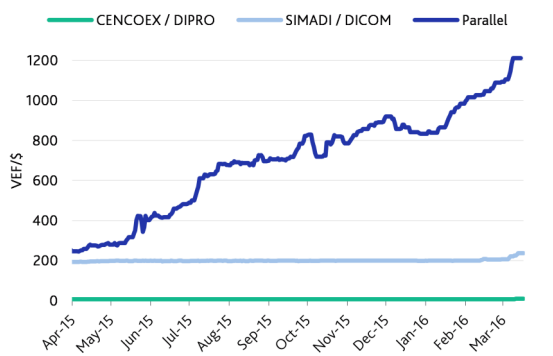


CARIBBEAN ECONOMIC REPORT

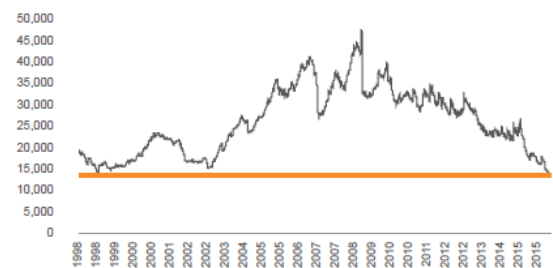
June 2016



Parallel Exchange Rate Depreciation : Venezuela



Venezuela International Reserves



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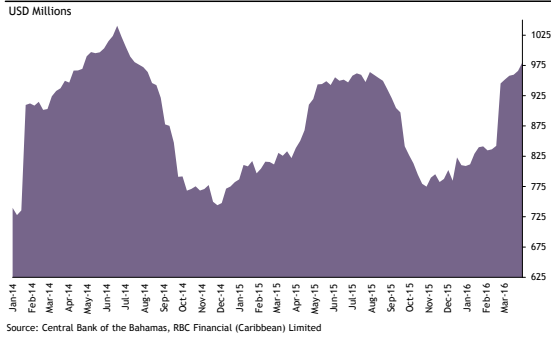
Venezuela : The Resource Curse at its Finest

According to OPEC, Venezuela has produced crude oil for over a century, but still has proven reserves of roughly 300 billion barrels—the highest in the world. Commensurate with the magnitude of this natural resource endowment, is the extent of Venezuela’s punitive paradox of plenty. Several years of spectacular macroeconomic mismanagement under the guise of socialism has wrought epic deterioration in living conditions not usually associated with peacetime. Venezuela’s currency lost 99% of its value over the past 4.5 years according to Forbes, as the money supply doubled in the past twelve months alone. The IMF expects inflation to exceed 700% this year, as the economy contracts by a projected 8%, and the longstanding fiscal deficit expands to 24% of GDP. The 2015 Corruption Perceptions Index ranks Venezuela 158/167 countries. On the 2015/16 Global Competitiveness Index, Venezuela ranked 132/140, but placed last globally on institutional strength, goods market, and labour market efficiency. The World Bank’s 2016 Ease of Doing Business index ranks Venezuela at 186/189 countries. The 2016 Index of Economic Freedom classifies Venezuela as ‘repressed’ at 176/178 countries. On the 2014 Human Development Index however, Venezuela ranked 71/188 countries, despite having the second highest homicide rate in the world, which has risen consistently since 1995. Also, latest data from the World Bank show that over 32% of the population lived below the poverty line in 2013. Despite this, the 2016 World Happiness Report ranked Venezuela as the 44th happiest country out of 157, recording the 5th biggest decline worldwide, in happiness since 2007. Venezuela’s spillover effects on the Caribbean transcend the economics of PetroCaribe, bilateral agreements, and trade. Venezuela’s tragic unravelling has incentivized the rising informality and / or illegality of activities related to the growing emigration to, and trade with the Caribbean, the socio-economic impact of which is not likely to be positive—for the latter at least.

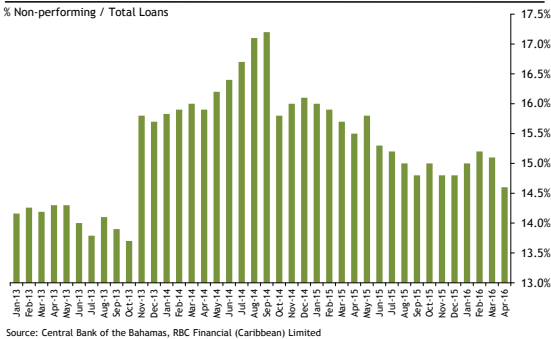
Aruba – Deflation quickens to 1.8% in March 2016 y/y

Central Bank (CBA) reported deflation at 1.8% y/y in March, up from 0.6% in February 2016, due mainly to falling gasoline and electricity prices. CBA data show a 6.3% y/y increase in stopover arrivals, on 12.2% more Latin American (mostly Venezuelan) and 2.4% more North American visitors. This dynamic saw visitor nights growing only 1.6% y/y, and the average length of stay falling to 6.6 nights in March 2016, down from 6.9 one year prior. CBA reserves increased 28.4% y/y in March 2016 to USD809 million, which we estimate at roughly 4.5 months of imports.

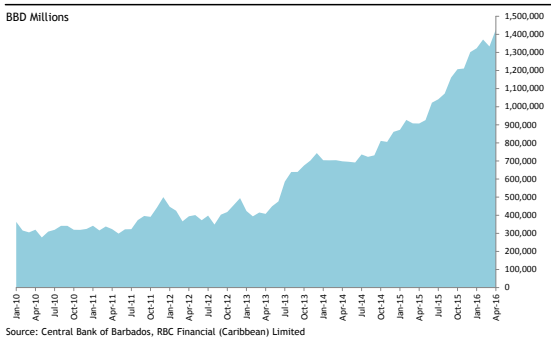
Central Bank External Reserves : The Bahamas



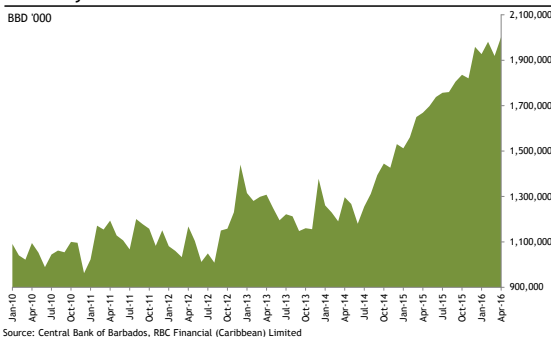
Non-performing Loans : The Bahamas



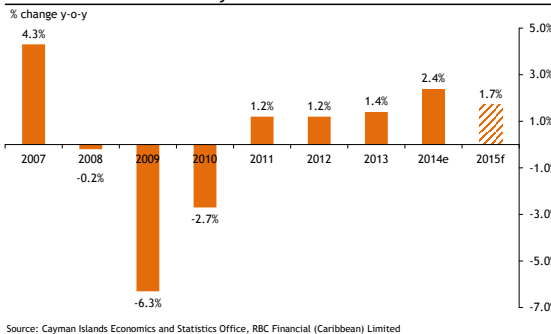
Central Bank Total Claims on Central Government : Barbados



Monetary Base : Barbados



Real GDP Growth : The Cayman Islands



The Bahamas – 1.7% contraction in 2015, 0.5% in 2014

The Central Bank (BCB) reported that in Q1 2016, there was a 5% y/y drop in total room revenue, average occupancy fell 2.0 percentage points (pp) y/y to 73.7%, and the average daily room rate slipped by BSD10.46 or 3.7% y/y to BSD275.33. BCB external reserves expanded 9.6% y/y to USD1,007.5 million—the highest level since July 2014—which we estimate at 3 months of imports. The Budget Communication for FY2016/17 outlined a deficit of BSD100 million or 1.1% of GDP, down from BSD150 million in FY2015/16 (versus plan of BSD141 million or 1.5% of GDP, despite stronger VAT revenues than budgeted). The economy is now estimated to have contracted by 0.5% in 2014 and 1.7% in 2015, but growth of 0.5% is expected this year.

Barbados – Fiscal deterioration elicits warnings

The IMF expects 2.1% growth in 2016, mainly on tourism related investment, following 0.8% growth in 2015 and 0.2% in 2014, on higher tourism activity and employment. Net international reserves fell by USD57 million since the beginning of 2015, reflecting lower FDI and debt amortization, the IMF reported. The FY2015/16 deficit target was not met, public sector debt increased to 105.5% of GDP, up from 98% in FY2013/14, and the “large cash requirements of the government are a challenge increasingly met by the Central Bank”, the IMF cautioned. Indeed, Central Bank (CBB) online data show its total claims on central Government expanded by 57.3% y/y in April 2016 to BBD1.43 billion or 57% of CBB total assets, equivalent to 22% of gross Government domestic debt. The CBB’s May 2016 economic letter warned that the fiscal adjustment is incomplete, and a downward trajectory in the fiscal deficit must be maintained, stating “Government’s borrowing requirement still exceeds the surplus funds banks and insurance companies have available to lend to Government.” The FY2015/16 cash deficit of BBD648.4 million or 7.4% of GDP (up from BBD600 million or 6.9% of GDP in FY2014/15) was financed partly by BBD238 million “from additional liquidity which commercial banks accumulated at Central Bank”, and BBD190 million of “newly created money”, the CBB reported. The consequent expansion in the monetary base, averaging 28% y/y every month since September 2014, appears to be putting pressure on foreign reserves, which lost 18% y/y in April 2016 to reach USD469 million or 14 weeks of imports, according to the CBB.

Cayman Islands – 2.8% deflation and stopover declines

Prices declined for a fifth consecutive quarter, bringing deflation to 2.8% in Q1 2016 y/y, on lower fuel and electricity prices, which also drove total imports down 6.3% in 2015, the Economics and Statistics Office (ESO) reported. Following 0.7% growth in stopover arrivals in 2015 on more travellers from the USA and ‘other’ source markets, the Cayman Islands saw a 2.5% y/y drop in stopovers in Q1 2016, as less travellers came from Europe, Canada and ‘other’ source markets, [Caribbean Tourism Organization](#) (CTO) data show.

Cuba – 93% y/y growth in USA tourists to April 2016

[Global News Matters](#) (GNM) reported that 1.5 million tourists visited Cuba from January to April 2016, up 13.5% y/y, of which 6.3% were American and 7.7% Cuban-American—a 93% y/y increase in travellers from the USA. [GNM](#) reported that population growth fell to 0.06% or 727 persons in 2015, while 19.4% of the population is over 60 years old and 16.5% under 14 years old.

Curacao and Sint Maarten – Lackluster growth persists

The IMF reported investment driven growth in Curacao of 0.1%, and tourism driven growth in St. Maarten of 0.5% in 2015. The crisis in Venezuela, Curacao's largest trading partner, is having a considerable negative impact on trade balances and tourism in Curacao, but the economy is expected by the IMF to expand by 0.5% in 2016, intensifying to 0.7% in 2017-18 and 0.9% in 2021. St. Maarten's growth is expected by the IMF to reach 0.9% in 2017, increasing steadily to 1.3% in 2021. Soft energy prices have kept inflation low, but high unemployment persists especially among the youth, as reported by the IMF. Central Bank net official reserves is projected to post its fifth consecutive month of decline in May 2016, to USD1.25 billion.

Dominican Republic – Incumbent secures second term

The ruling administration was successful in securing another term in office in recently held general elections, with a voter turnout of about 70%. S&P affirmed its BB- (stable) rating, citing a well diversified economy, above peer-average growth, and fairly stable external debt and liquidity, tempered by institutional weaknesses, and higher (48% of GDP by 2018) and more costly debt expected on lower PetroCaribe funding. S&P estimates average real per capita GDP growth at 3.8% over the past five years, and expects 5% growth between 2016-2018, following 7.3% in 2014 and 7% in 2015—the region's highest. S&P does not expect Cuba's greater openness to American travelers to meaningfully affect tourism in the Dominican Republic in the next three to four years. Following 8.9% growth in stopover arrivals to 5.6 million in 2015 according to the [CTO](#), Q1 2016 saw a 0.4% y/y contraction in stopovers, driven by a 17.2% y/y decline in stopovers from 'other' markets, however.

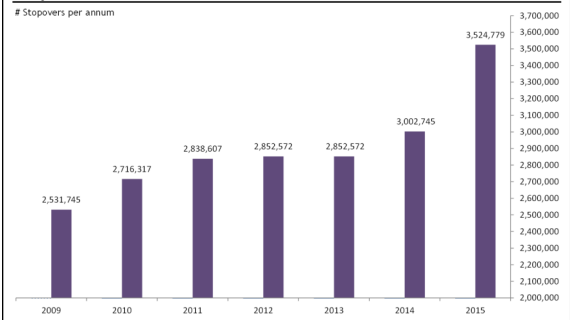
Guyana – IMF commends economic resilience & growth

The IMF estimates 3% growth in 2015 and expects 4% growth this year, on public investment and two new large gold mines. In two years, the NPL ratio has almost doubled to 11.5% of total loans in December 2015, the IMF reported. Reserves declined 0.53% y/y in April 2016 to USD603 million, which we estimate at 3.65 months of imports.

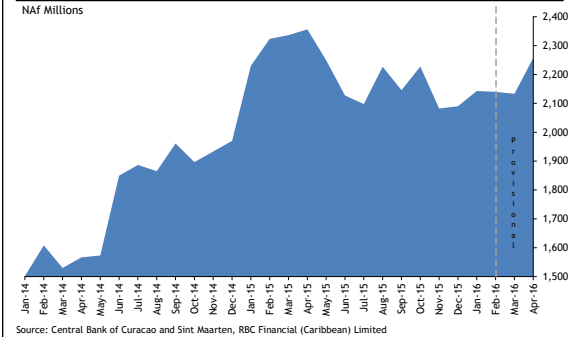
Jamaica – IMF driven reforms on track but growth weak

Two years into an [IMF](#) supported economic reform program, macroeconomic stability has been restored, fiscal deficits and debt has been reduced, inflation is at historical lows, and USD reserves have doubled, the IMF reported.

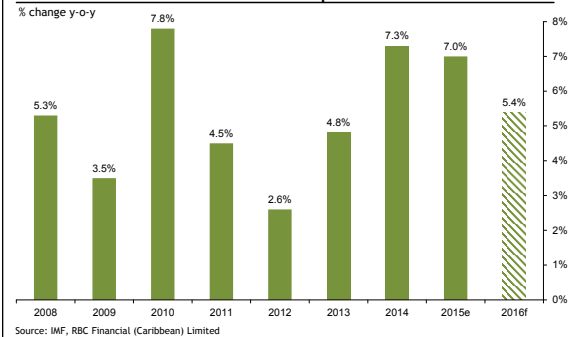
Stopover Arrivals : Cuba



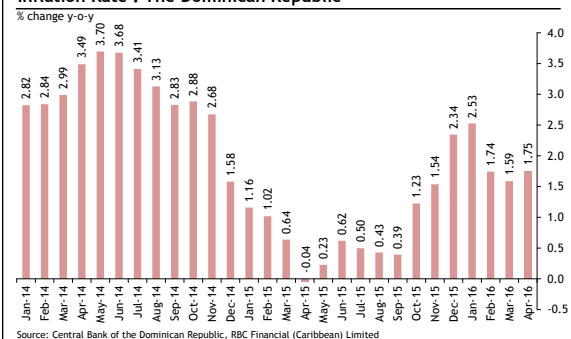
Net Official Reserves : Curacao and Sint Maarten



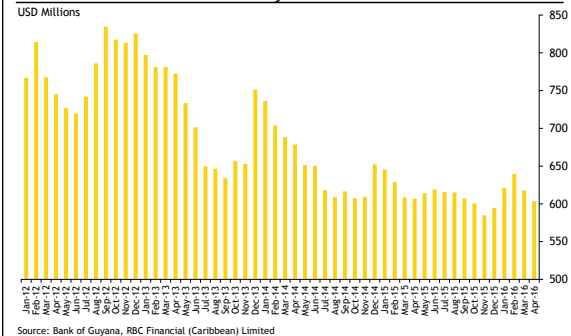
Real GDP Growth : The Dominican Republic



Inflation Rate : The Dominican Republic

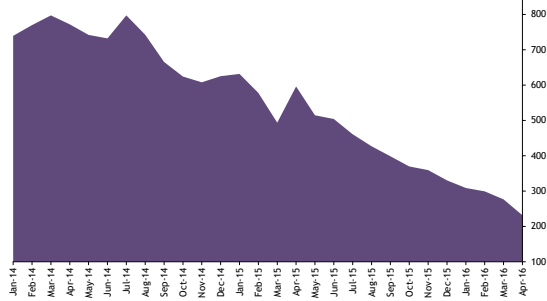


Net International Reserves : Guyana



International reserves: Suriname

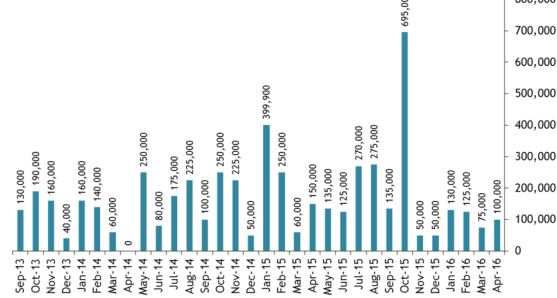
USD Millions



Source: Central Bank of Suriname, RBC Financial (Caribbean)

Central Bank USD Injections Per Month : Trinidad and Tobago

USD '000



Source: Central Bank of Trinidad and Tobago, RBC Financial (Caribbean) Limited

Suriname – USD478MM two-year IMF Stand-by program

Central Bank data show the USD selling rate at SRD6.76 on May 30th—a depreciation of over 100% since November 2015, as international reserves plummeted 61% y/y to USD231 million in April 2016, which we estimate at just over one month of imports. The IMF's two-year USD478 million stand-by arrangement will support the Government's home-grown economic reforms, including fiscal consolidation, changes to the exchange rate and monetary policy frameworks, and reforms to support a private sector led growth strategy. The IMF expects a 2% contraction in 2016, following 0.1% growth in 2015.

T&T – IMF expects 2.7% contraction in 2016

The Central Bank's (CBTT) monetary policy release shows inflation (April 2016) and unemployment (December 2015) both inching up slightly to 3.5%. The report indicated that the IMF's 2016 growth projection was revised from -1.1% in March to -2.7% in May 2016. CBTT estimates between 2010 and 2015, every USD1.00 change in crude oil prices affected export earnings by USD50 million. The quantum of USD being sold to FX dealers declined 13% y/y in April 2016 to USD456 million, with CBTT injections alone down 33% y/y. Net official reserves declined 14.6% y/y in April 2016 to 11 months of imports.

Caribbean Economic Indicators

	Nominal			Credit Rating & (outlook)	GDP			Import cover (months)	Inflation y/y
	Popl'n (000)	GDP (USD Billions)	Per capita GDP (USD)		change y/y	Unemplo yment	Gross Public Debt / GDP		
Aruba	107	2.6	24,402	BBB+ (Stable)	0.1%	7.6%	80.1%	4.5	-1.8%
The Bahamas	347	8.5	23,417	BBB- (Negative)	-1.7%	14.8%	76.5%	3.0	1.6%
Barbados	274	4.5	16,307	B (Negative)	0.8%	11.3%	107.0%	3.3	-1.1%
Cayman	58	3.0	54,338	Aa3 (Stable)	1.9%	4.7%	21.0%	n/a	-2.8%
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%	6.7	-0.5%
Dom Rep	10,400	60.8	7,000	BB- (Stable)	6.1%	5.7%	48.5%	3.5	1.8%
ECCU	605	5.7	8,922	n/a	2.2%	20.0%	81.0%	8.0	-1.0%
Guyana	756	2.7	3,596	Not rated	3.0%	11.0%	65.0%	3.7	-1.8%
Jamaica	2,751	15.3	5,526	B (Stable)	1.5%	13.3%	125.0%	5.3	3.7%
St. Maarten	43	0.8	26,025	Baa2 (Stable)	0.5%	8.9%	36.5%	2.8	0.3%
Suriname	541	5.1	9,339	B+ (Negative)	0.1%	9.5%	46.1%	1.2	36.6%
T&T	1,328	23.8	17,935	A- (Negative)	-2.0%	3.5%	68.4%	10.9	3.5%

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