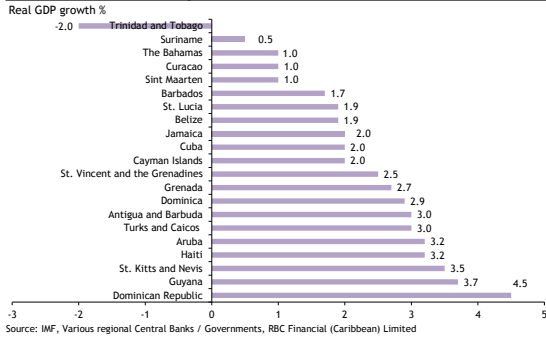


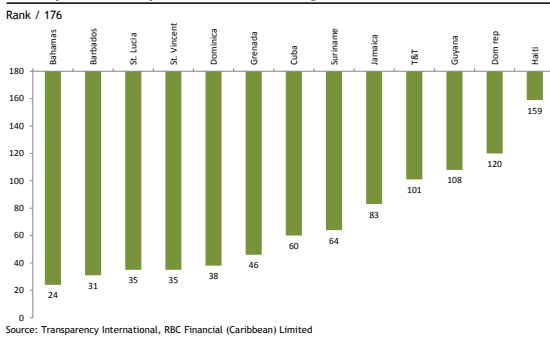
CARIBBEAN ECONOMIC REPORT

February 2017

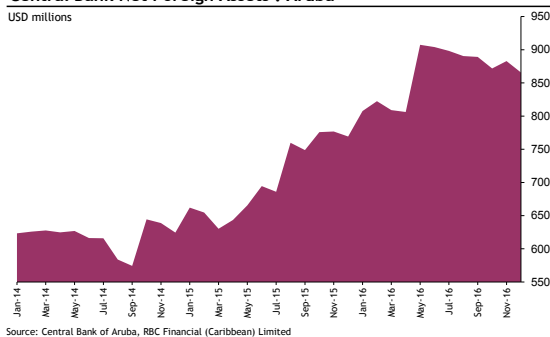
Caribbean Growth Projections for 2017



Corruption Perceptions Index Ranking : Caribbean



Central Bank Net Foreign Assets : Aruba



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Global Growth to Increase to 3.4% in 2017

The IMF estimates global growth at 3.08% in 2016—just a hair above the 3% recession threshold, the third year of progressively slower growth, and the slowest since the Global Financial Crisis. Growth is expected to intensify to 3.4% in 2017 and 3.6% 2018, primarily on the basis of stronger performance in emerging markets and developing economies, and higher commodity prices.

Corruption Rising Globally and Feeding Inequality

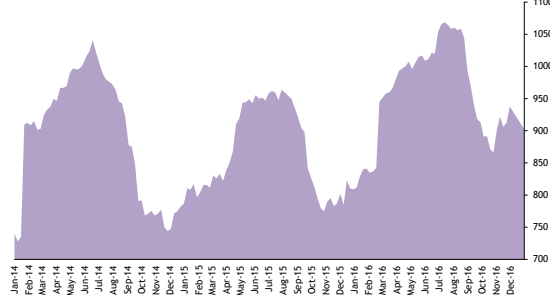
Transparency International’s 2016 Corruption Perceptions Index reveals that over two-thirds of the 176 countries measured, fall below the midpoint (where 0 = highly corrupt, 100 = very clean), and the global average is 43, indicating endemic corruption in a country’s public sector. More countries declined than improved in 2016. The report highlights the well-known mutually-reinforcing nature of corruption and inequality—corruption leads to an unequal distribution of power in society which, in turn, translates into an unequal distribution of wealth and opportunity. Suriname recorded the largest improvement worldwide in its score, moving from 36 to 45, which translated into a 24 spot jump in its rank, from 88th in 2015 to 64th out of 176 countries in 2016. Guyana had the Caribbean’s second biggest improvement, up 11 spots to 108th place, with its score increasing by 5. Haiti’s score improved by 3 points but it fell one notch in rank to 159th place—the lowest in the Caribbean. Jamaica’s score declined by 2 points but its rank by 14 spots to 83rd. The Dominican Republic’s score declined by 2 points and its rank by 17 notches to 103rd. Trinidad and Tobago recorded the region’s largest slippage, losing 4 points on its score, and declining 29 notches to rank 101st out of 176. The Bahamas has the highest rank in the Caribbean at 24th, followed closely by Barbados at 31st, St. Lucia and St. Vincent and the Grenadines at 35th, Dominica at 38th, and Grenada at 46th. Although Cuba saw no change in its score of 47, its rank slipped 4 notches to 60th out of 176 in 2016.

Aruba – Venezuela’s woes affect stopover arrivals

Total stopover arrivals declined by 10% in 2016 versus 2015, Central Bank (CBA) data show. This was prompted by a 40.4% drop in stopover arrivals from Venezuela, which eclipsed stronger arrivals from all other major source markets. This translated into an overall 4.2% decline in total visitor nights, but the average nights stay increased from 6.8 nights in 2015, to 7.2 in 2016. Net Foreign Assets expanded 12.6% y/y to close 2016 at USD866 million, according to the CBA, which we estimate at roughly 4.8 months of imports.

Central Bank External Reserves : The Bahamas

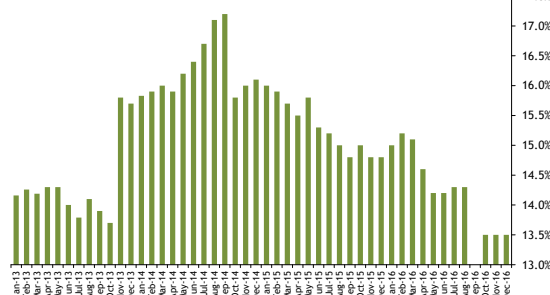
USD Millions



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

Non-performing Loans : The Bahamas

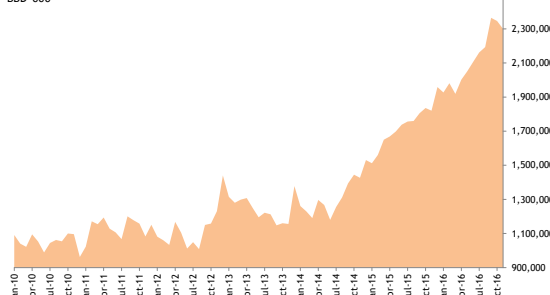
% Non-performing / Total Loans



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

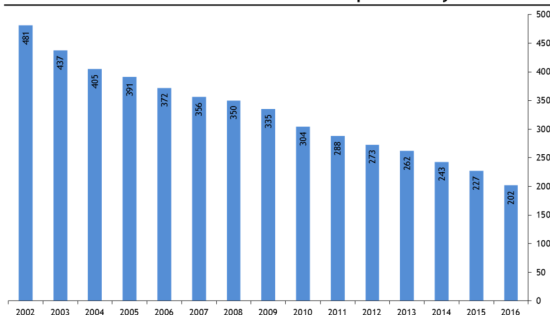
Monetary Base : Barbados

BBD '000



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

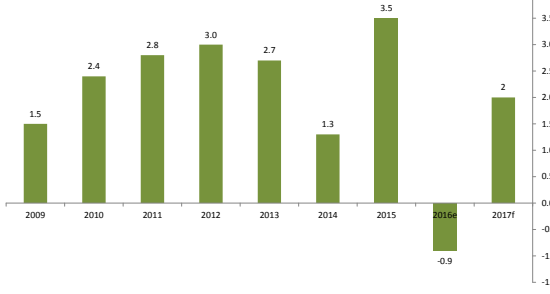
Number of Licensees and Other Entities Supervised by CIMA



Source: Cayman Islands Monetary Authority (CIMA), RBC Financial (Caribbean) Limited

Real GDP Growth : Cuba

% change, y-o-y



Source: Global News Matters, Cuban Official Announcements, RBC Financial (Caribbean) Limited

The Bahamas – Gov't borrowing up BSD358MM in 2016

Central Bank (BCB) external reserves grew 11.5% y/y to USD902 million at end -2016, which we estimate at roughly 2.2 months of imports. BCB reported a 1% gain in non-domestic passenger traffic in Nassau in 2016, as USA passengers increased by 1.9%, while non-USA international travelers declined by 4.1%. The BCB reported that foreign and domestic credit to the Government expanded by 144% or BSD357.6 million in 2016, up from the BSD146.4 million growth recorded in 2015. In addition, credit to the rest of the public sector grew by BSD29.3 million in 2016, a reversal from the BSD19.2 million contraction in 2015, the BCB reported. A recent [study](#) conducted by the Inter-American Development Bank, based on World Bank productivity performance indicators, found that The Bahamas is underperforming, relative to other Caribbean and small Latin American countries.

Barbados – Central Bank urges Gov't to cut spending

Central Bank's (CBB) February Economic Letter stated that the Government's interest costs grew 70% from BBD396 million in FY2008/09 to BBD673 million in FY2015/16. The monetary base expanded 26% y/y in November 2016 to BBD2.3 billion, CBB online data show. CBB's December 2016 report highlighted that long-stay arrivals grew by 6.3% in 2016, driven mainly by 14.1% more tourists from the USA, 5.4% more from Canada, and 12.7% more from the Caribbean. Foreign reserves fell 26.5% in 2016 to USD340.5 million, which we estimate at 2 months of imports. Gross Public Sector debt reached BBD11.1 billion in 2016, up 4% or BBD426 million over 2015, CBB data show. The Government borrowed an additional BBD818 million domestically in 2016, 15% of which the NIS financed, 35.6% from new money created by the CBB, and 51.8% from commercial banks' excess reserves. CBB holdings of Government debt expanded 53% y/y in November 2016 to BBD1.85 billion or 65% of total CBB assets. The CBB expects growth to average 2% over the next five years.

Cayman Islands – Six consecutive years of growth

In 2016, stopover arrivals expanded only 0.02%, the slowest since 2009, while cruise passenger arrivals fell 0.3%, according to [Global News Matters](#) (GNM) tourism report. Cayman Islands Monetary Authority data going back to 2002 show a steady decline in licensees, averaging -5.6% from 2002-2015. However, despite softening in its two major sectors, and generating a fiscal surplus, 2016 was the sixth consecutive year of positive growth, estimated at 2.1%.

Cuba – Growth at 2% expected in 2017

The economy is estimated to have contracted by 0.9% in 2016—the first economic contraction since 1993. Growth at 2% is now projected for 2017. The tourism authorities suggested that roughly four million tourists visited in 2016, up from 3.5 million in 2015, and that 4.2 million is expected in 2017. An expanded free trade agreement with CARICOM is being negotiated.

Curacao and Sint Maarten – Softer tourism activity

Central Bank data show net official reserves of the currency union are estimated to have grown by 3% in 2016, to roughly USD1.2 billion, which we estimate at about 6 months of imports. St. Maarten stopover arrivals expanded 5.5% y/y to August 2016, while cruise passenger arrivals declined 17.7% y/y to July 2016, [Caribbean Tourism Organization](#) data show. Curacao Hospitality and Tourism Association reported that in 2016, there was a 3.5% fall in hotel occupancy levels, 1.4% decline in Average Daily Rates and 6.2% drop in revenue Per Available Room in Curacao.

Dominican Republic—IMF expects growth to moderate

Inflation accelerated for two consecutive months to 2.33% in January 2017, still well below the target range of 4% ± 1%, prompting the Central Bank (BCRD) to maintain the policy rate at 5.5% in January 2017. BCRD estimates growth in 2016 at 6.6% - the region's highest for the third consecutive year. The deficit on the current account of the Balance of Payments fell to its lowest level in a decade, at 1.5% of GDP, underpinning growth in international reserves to record highs of over USD6 billion or 3.9 months of imports, BCRD reported. Stopover arrivals increased by 6.42% in 2016 to reach 5.95 million, and by 5% y/y in January 2017, BCRD data show. The IMF reported that the economy is growing above potential, averaging 7% for the past 3 years. The IMF expects that growth will moderate to about 5% from 2017 onward, and inflation will reach the target range, prompting further monetary tightening.

Guyana – International reserves and GYD stable

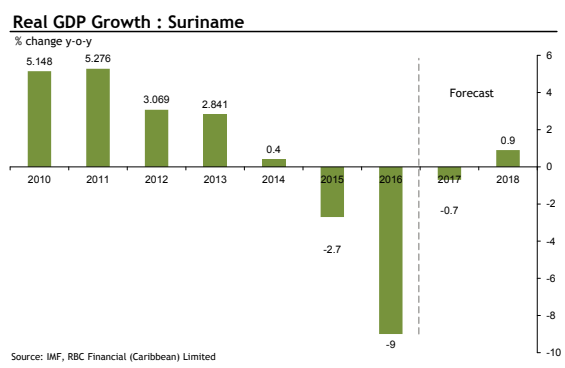
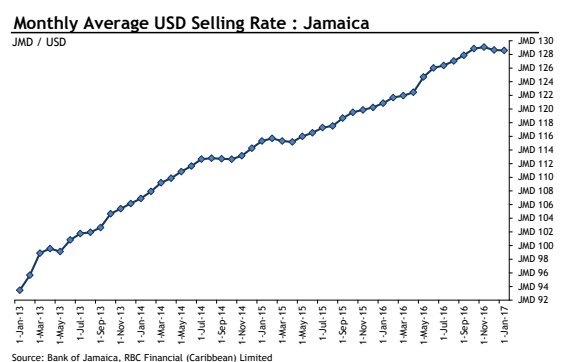
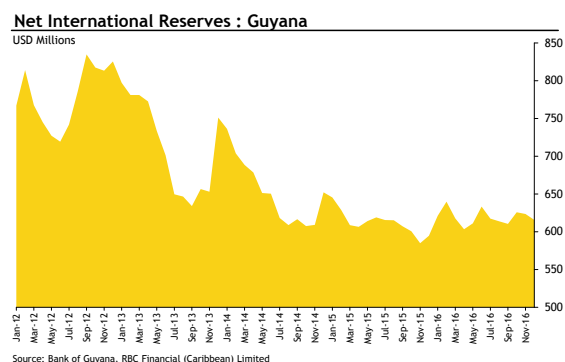
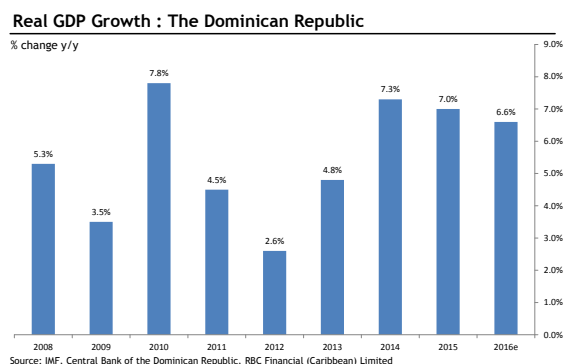
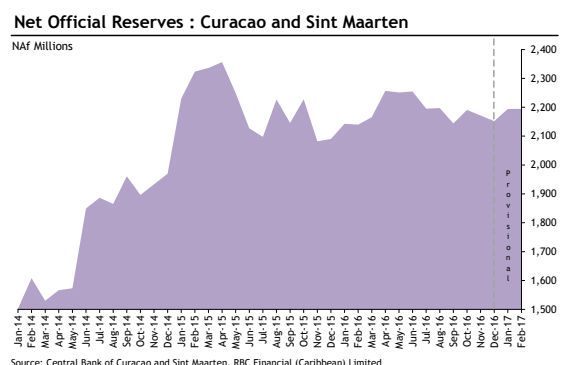
Central Bank (BoG) December 2016 report shows net international reserves expanded 3.53% in 2016 to USD615.7 million, which we estimate at roughly four months of imports. Meanwhile the GYD depreciated 0.14% in 2016, to average GYD210.11 in December 2016.

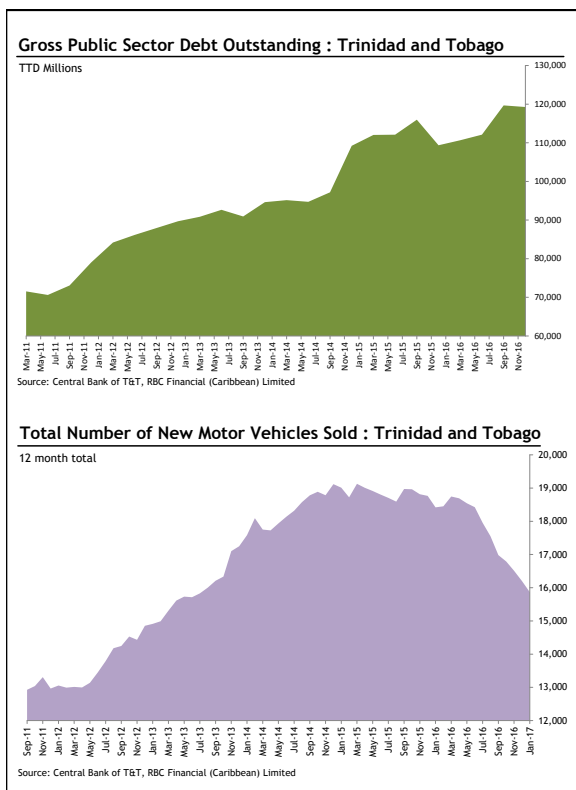
Jamaica – Stopovers up 2.8% to 2.2 million in 2016

CTO data show stopover arrivals increased 2.8% in 2016 to reach 2.2 million, as more travelers came from all source markets apart from Canada, while cruise passenger arrivals grew 5.5%. The JMD depreciated 7% against the USD in 2016, and 6.4% y/y in January 2017, to average JMD128.58 / USD1.00, Central Bank (BoJ) data show. International reserves grew 12.2% y/y in January 2017, representing 20.62 weeks of imports. Two consecutive months of disinflation brought the inflation rate to 1.66% in November 2016, BoJ data show.

Suriname—Progress under IMF program stalls

Central Bank (CBvS) data show foreign reserves expanded 15.4% in 2016 to USD381 million, which we estimate at 2.22 months of imports. Two consecutive months of disinflation brought the inflation rate to 52.4% y/y in December 2016. The first two reviews under the [IMF program](#) have not been conducted. The IMF expects contraction of 0.7% in 2017, following 9% in 2016.





T&T – USD supply to banks at lowest levels in five years

Central Bank (CBTT) data show the TTD depreciated 4.93% y/y to average TTD6.7776 : USD1.00 in January 2017, while foreign reserves fell 3.7% y/y to USD9.3 billion or 10.3 months of imports. For 2016, the CBTT injected USD1.807 billion to authorized FX dealers - 30% less than 2015. In addition, the public sold 13% less USD to authorized FX dealers, at USD4.3 billion in 2016. As such, total foreign exchange sales to authorized FX dealers from the public and CBTT combined was just over USD6 billion in 2016—down 19% y/y to the lowest level in five years. The total amount of foreign exchange being sold to authorized FX dealers for the twelve months to January 2017 reached USD6.1 billion—down 16% y/y. Gross public sector debt reached 82.4% of GDP in FY2015/16, with net public sector debt at 61.1% of GDP. Inflation picked up slightly to reach 2.9% in November 2016. The economy contracted by 8% y/y in Q2 2016—the seventh consecutive quarter of y/y contraction. Also in Q2 2016, the index of productivity reached its lowest level since Q1 2009, and the unemployment rate increased to 4.4% - the highest since Q4 2012, as there were 28,500 persons unemployed and 612,400 persons employed. Total new vehicles sold for 12 months to January 2017, fell 13.9% y/y to 15,867.

Caribbean Economic Indicators

	Nominal			GDP			Import		
	Popl'n (000)	GDP (USD Billions)	Per capita GDP (USD)	Credit Rating & (outlook)	change y/y	Unemplo yment	Gross Public Debt / GDP	cover (months)	Inflation y/y
Aruba	107	2.8	24,402	BBB+ (Positive)	-1.6%	7.6%	80.1%	4.8	-0.3%
The Bahamas	347	8.5	22,754	BB+ (Stable)	-1.7%	11.6%	85.0%	2.2	-0.1%
Barbados	274	4.5	16,307	B- (Negative)	1.6%	10.0%	156.6%	2.0	-0.8%
Cayman	58	3.0	54,338	Aa3 (Stable)	2.1%	3.9%	21.0%	n/a	0.5%
Cuba	11,300	77.1	6,848	Caa2 (Positive)	-0.9%	3.0%	22.3%	n/a	1.2%
Curacao	143	3.0	20,260	A- (Stable)	0.0%	11.7%	45.6%	6.0	-0.4%
Dom Rep	10,400	60.8	7,000	BB- (Stable)	6.9%	5.7%	48.5%	3.9	1.7%
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%	4.8	1.7%
St. Maarten	43	0.8	26,025	Baa2 (Stable)	0.1%	8.9%	36.5%	6.0	-0.2%
Suriname	541	5.1	9,339	B1 (Stable)	-9.0%	9.0%	47.5%	2.2	52.4%
T&T	1,400	23.8	17,935	A- (Negative)	-8.0%	4.4%	82.4%	10.3	2.9%

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