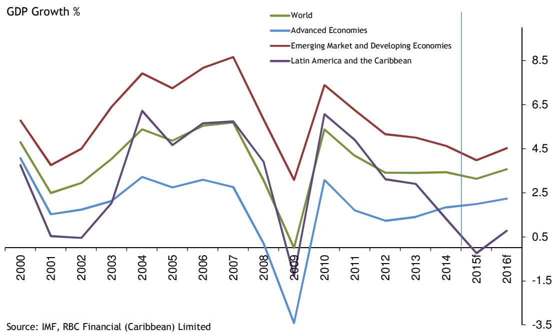
CARIBBEAN ECONOMIC REPORT

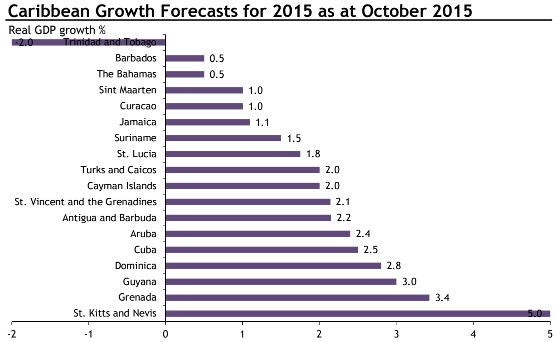
October 2015

IMF Real GDP Growth Statistics as at October 2015



Source: IMF, RBC Financial (Caribbean) Limited

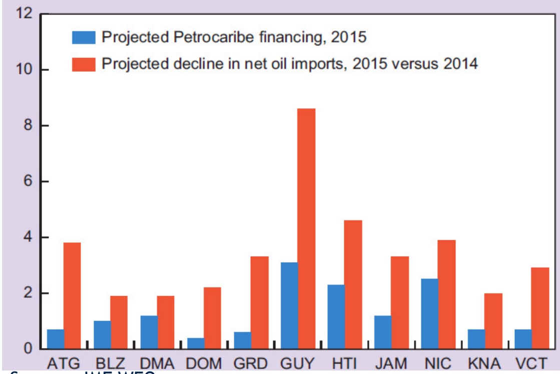
Caribbean Growth Forecasts for 2015 as at October 2015



Source: IMF, S&P, various regional Central Banks, RBC Financial (Caribbean) Limited

5. The Caribbean: Petrocaribe Exposure

(Percent of GDP)



Source : IMF WEO

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IMF Cuts Global and Regional Growth Forecasts

The IMF trimmed its global growth forecasts for 2015 and 2016 by 0.2 percentage points (pp) each, reporting that global growth this year is now expected to slip 0.3pp lower than 2014 to 3.1% in 2015, and accelerate to 3.6% in 2016. According to the IMF's World Economic Outlook (WEO) for October 2015, growth in the Caribbean's tourism-based economies will soften slightly from 2.4% in 2014 to 2.3% in 2015 and 2016, as they continue to benefit from improved terms of trade and a recovering US and UK economy. The report showed that a 10% real decrease in oil prices, boosts real GDP growth in the first year by 0.2pp in tourism-based economies. This lift from lower oil prices would be compounded by stronger tourist arrivals and citizenship-by-investment programs, countered by the impact of easier access to Cuba by US tourists, the possible competitiveness losses from real effective exchange rate appreciation as the USD continues to strengthen, and higher US interest rates. Growth for the Caribbean's commodity exporters will continue decelerate from 2.5% in 2014, to 2% this year, rebounding to 2.5% in 2016.

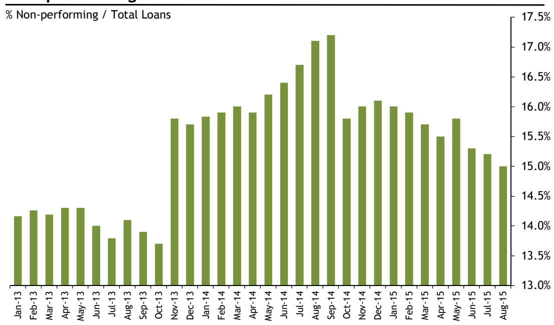
Regional spillovers from Venezuela's crisis

According to the IMF, longstanding unsustainable macroeconomic policies in Venezuela has given rise to widespread microeconomic distortions, inflation projected around 200% in 2015 and 2016, a chronic shortage of goods, a black market exchange rate over 100 times the lowest official exchange rate, and a deep recession. Following a 4% contraction in 2014, the IMF expects Venezuela's economy to shrink further by about 10% in 2015 and 6% in 2016. The Caribbean's fuel imports via PetroCaribe are expected by the IMF to show further declines in 2015, the steepest of which (as a fraction of GDP) will be in Guyana. Moody's reported that Venezuela's mounting external imbalances have put pressure on investment flows to Cuba, given that Venezuela remains Cuba's main trade partner and source of investment.

Aruba — Venezuela arrivals at highest level ever

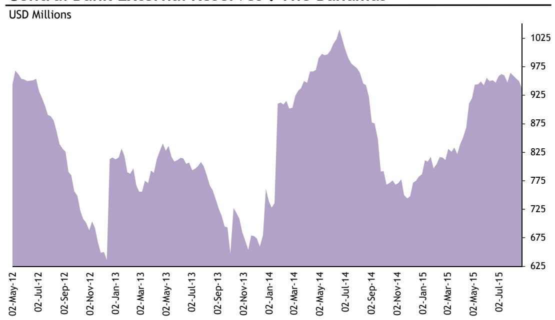
Central Bank (CBA) data for August 2014 show inflation falling to 0.7% y-o-y, and official reserves expanding 30% y-o-y to USD760 million, which we estimate at four months of imports. Stopover arrivals grew 14.8% y-o-y in August 2015 according to the CBA, driven mainly by a 50% y-o-y increase in arrivals from Venezuela to reach 36,728 in August—the highest ever monthly total from this source market, and second only to arrivals from the US.

Non-performing Loans : The Bahamas



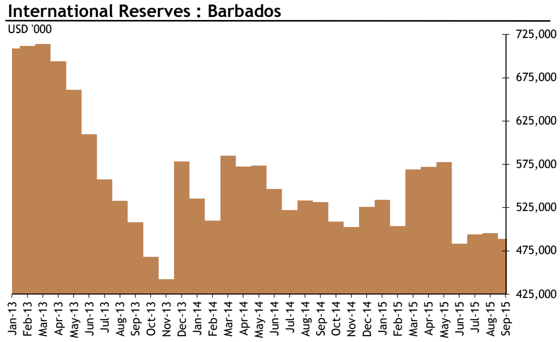
Source: Central Bank of the Bahamas, RBC Financial (Caribbean) Limited

Central Bank External Reserves : The Bahamas



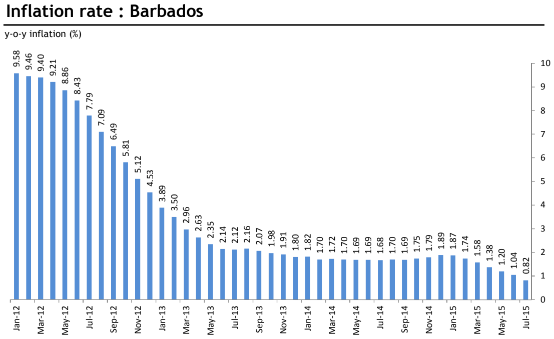
Source: Central Bank of the Bahamas, RBC Financial (Caribbean) Limited

International Reserves : Barbados



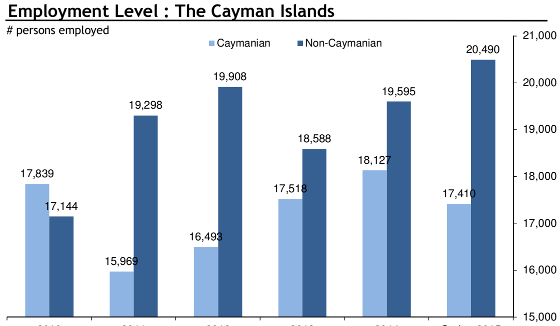
Source: Central Bank of Barbados, RBC Financial (Caribbean) Limited

Inflation rate : Barbados



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

Employment Level : The Cayman Islands



Source: The Cayman Islands Economics and Statistics Office, RBC Financial (Caribbean) Limited

The Bahamas — 2,000 Baha Mar related redundancies

The Central Bank's (BCB) August 2015 report show stopover arrivals expanded 5% y-o-y, the average occupancy rate improved 4.3pp to 75.9%, and the average daily room rate (ADR) increased by BSD16.82 to BSD268.36. Cruise passenger arrivals fell 2.7% y-o-y however. Inflation accelerated slightly to 1.41% y-o-y in August 2015, and after posting 29 consecutive weeks of y-o-y declines, foreign reserves grew 1.5% y-o-y at the end of August 2015 to USD935.6 million, which we estimate at 2.5 months of imports. 2,000 Baha Mar employees have been made redundant, which could have an impact on the unemployment rate, currently at 12%, and consequently the level of non-performing loans, which stood at 15 % of total loans in August 2015.

Barbados — 2015 growth forecast trimmed to 0.5%

The Central Bank's (CBB) Q3 2015 report showed growth at 0.3% y-o-y, down from 0.5% y-o-y in H1 2015. The CBB is now projecting growth at 0.5% overall for 2015, down from the 2% projection announced in January. This, despite stopover arrivals growing 14.5% y-o-y to Q3 2015, driven mainly by 30% more US and 18.6% more Canadian visitors, y-o-y. In spite of stronger tourism flows, USD reserves fell 8% y-o-y to USD489 million in September 2015, or 14 weeks of imports according to the CBB, as sovereign debt payments and the subscription to the Latin American Development Bank (CAF) drove a net outflow of about USD89 million. Another factor possibly exerting pressure on USD reserves is the extent to which the Government's fiscal deficit is being financed by the CBB. The Government's financing needs for the first half of the fiscal year 2014/15 (April-September) was BBD289.7 million, of which the CBB financed 82% or BBD237.4 million, according to data in the CBB report. As a result, the CBB now holds just over BBD1.0 billion in Government debt—roughly two-thirds in T-bills and one-third in debentures—or 8.8% of the total public sector debt stock of about BBD11.5 billion in September 2015. The CBB's holding of Government debt therefore expanded by 81% in nine months, from BBD555 million in December 2014, to just over BBD1.0 billion in September 2015, the CBB report revealed. Such activity would normally exert inflationary pressures, but based mainly on lower commodity import prices, inflation stood at 0.82% y-o-y in July 2015—the lowest level since October 2004. Unemployment averaged 12% in H1 2015, according to the CBB. Once again, the CBB stressed the need for declining productivity to be addressed.

Cayman Islands — Unemployment up from 4.7% to 5.6%

According to the Economics and Statistics Office (ESO), overall unemployment increased from 4.7% in 2014 to 5.6% in 'spring' 2015, as unemployment amongst Caymanians increased from 7.9% to 8.3%, and from 1.5% to 1.9% amongst non-Caymanians. The total number of employed persons expanded from 37,723 in 2014, to 37,900 in 'spring' 2015. The population increased by 1.4% from 58,238 in 2014, to 59,054 in 'spring' 2015.

Cuba — Stopover arrivals up 27.4% y-o-y in September

Reuters reported Cuba is late in settling foreign suppliers and external balances are deteriorating due lower commodity export prices, the impact of the most severe drought in over 100 years, and softer monetary and fuel flows from Venezuela. Oil shipments have declined from 100,000bpd in 2013, to less than 70,000bpd currently, according to Moody's, who sees Venezuela's deterioration a credit negative for Cuba. These developments all suggest that the official 2015 growth forecast of 3.5% will likely be missed.

Curacao and St. Maarten — Q2 growth in Curacao only

The Central Bank (CBCSM) announced in its Q2 2015 report that Curacao recorded 0.4% real growth and St. Maarten saw a 0.6% contraction, y-o-y in Q2 2015. Growth in Curacao was driven by higher private consumption, manufacturing output, tourism activity, and public investment spending, tempered by lower exports. The growth in stopover arrivals was outstripped by declining numbers from Venezuela. St. Maarten's contraction was largely driven by lower stopover and cruise tourist arrivals, weaker hotels and restaurants activity, and the spillover effects on other sectors such as wholesale and retail trade, transport, storage and communications.

Guyana — Reserves continue to decline, FX rate stable

Central Bank data show reserves falling to USD607.2 million in September 2015, which we estimate at roughly 3.5 months of imports.

Jamaica—S&P affirms credit rating at B, outlook stable

Based partly on the roughly 10pp decline in total debt / GDP as a result of Jamaica's liability management program for its PetroCaribe debt, S&P affirmed the rating at B, with a stable outlook. The government used USD1.5 billion raised in the international capital market to purchase USD3.25 billion owed to Venezuela under PetroCaribe.

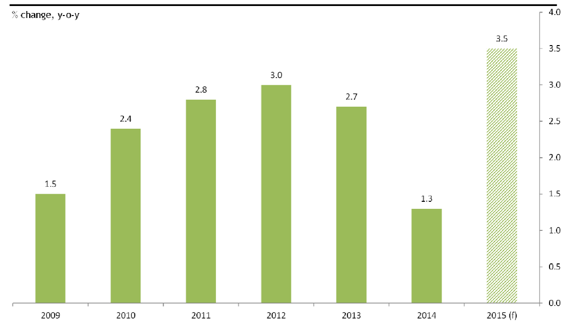
Suriname — Reserves fall below USD400 million

Net international reserves have declined for 29 consecutive months, falling 40% y-o-y in September 2015 to just under USD400 million, which we estimate at less than 2 months of imports, according to Central Bank data.

Trinidad and Tobago — USD price and supply increase

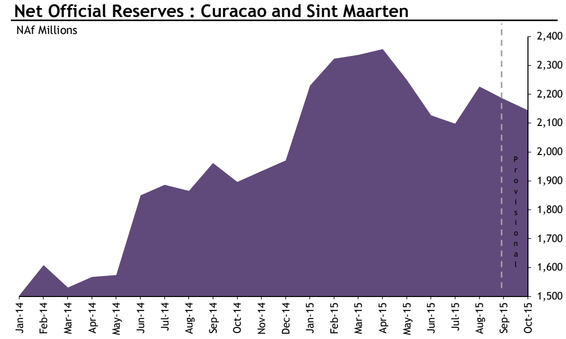
The recent FY2015/16 budget announcement, for the first time in several years, did not set a record for being the largest ever, and falls short of the original FY2014/15 budget by TTD1.6 billion or 2.5%. The Government expects to earn 72% less energy revenue at TTD5.5 billion in FY2015/16 (woefully short of the usual TTD20-30 billion), and is simultaneously aiming for a deficit of TTD2.8 billion—the lowest since FY2010/11. Growth is not expected to exceed 1.4% for the next two years, barring a strong recovery in energy prices, according to the budget. The number of employed persons is

Real GDP Growth : Cuba



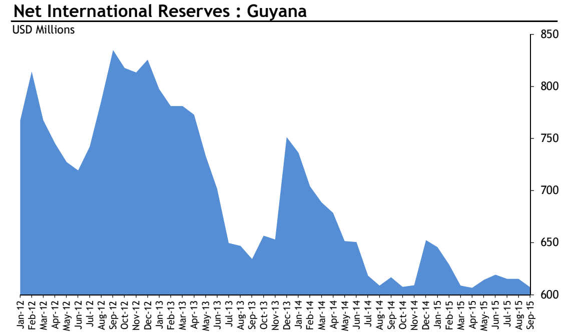
Source: Global News Matters, RBC Financial (Caribbean) Limited

Net Official Reserves : Curacao and Sint Maarten



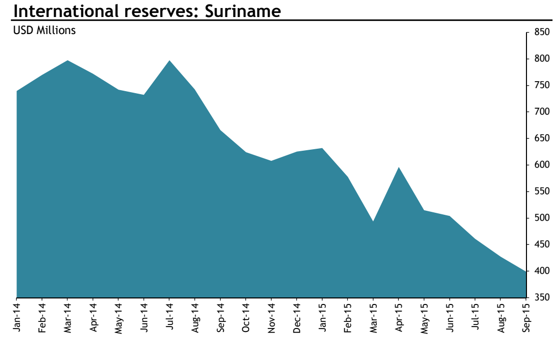
Source: Central Bank of Curacao and Sint Maarten, RBC Financial (Caribbean) Limited

Net International Reserves : Guyana



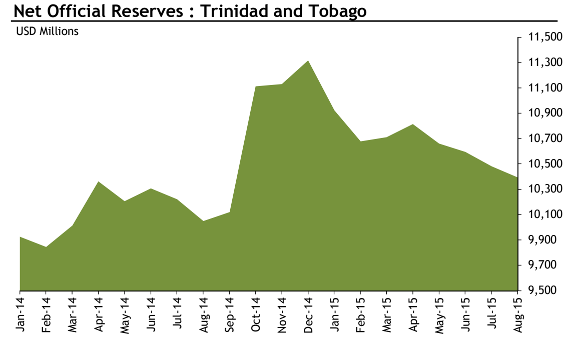
Source: Bank of Guyana, RBC Financial (Caribbean) Limited

International reserves: Suriname



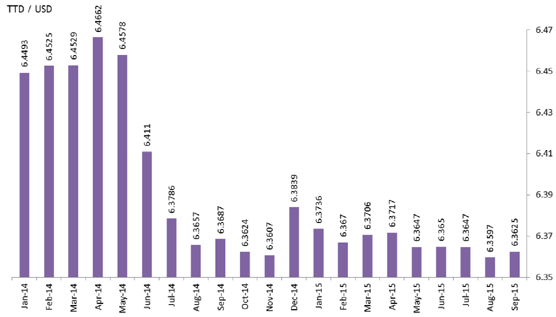
Source: Central Bank of Suriname, RBC Financial (Caribbean)

Net Official Reserves : Trinidad and Tobago



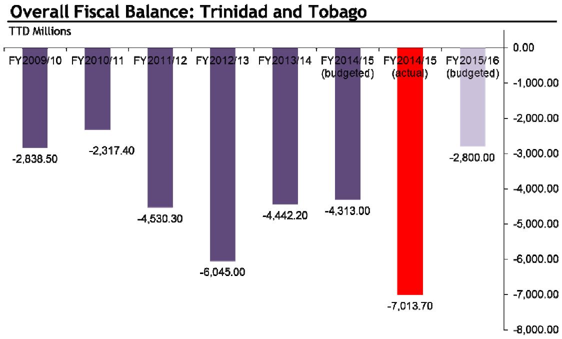
Source: Central Bank of Trinidad and Tobago, RBC Financial (Caribbean) Limited

Monthly Average USD Selling Rate : Trinidad and Tobago



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

Overall Fiscal Balance: Trinidad and Tobago



Source: Review of the Economy, National Budget Statement, RBC Financial (Caribbean) Limited

falling, having declined by 20,400 in one year to March 2015, as unemployment increased to 3.7%, after having held at 3.3% throughout the latter half of 2014. The government continued the phasing-out of the fuel subsidy by increasing the prices of diesel and super gasoline by 15% each to TTD1.72 and TTD3.11 per litre respectively. This is expected to save about TTD340.0 million, but the subsidy will still cost over TTD1 billion in FY2015/16. Gross public sector debt has been expanding in the double digits y-o-y since Q4 2014. In Q2 2015, gross public sector debt grew by almost 18% y-o-y to TTD111.6 billion. An overall balance of payments deficit and a loss in official foreign reserves of USD720 million was incurred in FY2014/2015 according to the budget. As proposed in the budget, the Central Bank (CBB) announced a re-establishment of the pre-April 2015 foreign exchange distribution system. A special injection of USD500 million was made on October 30 which saw the TTD depreciate to roughly TTD6.40 : USD1.00. Total USD injections reached a record monthly high of USD695 million in October 2015, bringing the y-t-d total to just under USD2.5 billion—an increase of just over USD1.0 billion or 73% over the same period last year. CBB online data show reserves expanded 3.4% y-o-y to USD10.4 billion or 12 months of imports in August 2015.

Caribbean Economic Indicators

	Popl'n (000)	Nominal GDP (USD Bn)	Per capita GDP (USD)	Credit Rating & (Outlook)	Y-O-Y GDP change (%)	Unemp. (%)	Gross Public debt/GDP (%)	Import cover (months)	Y-O-Y Inflation (%)
Aruba	107	2.6	24,402	BBB+ (Stable)	1.1%	7.6%	80.1%	4.1	0.7%
The Bahamas	347	8.2	23,417	BBB- (Negative)	1.0%	12.0%	61.0%	2.5	1.4%
Barbados	274	4.5	16,307	B (Negative)	0.3%	12.0%	134.3%	3.2	0.8%
Cayman	59	3.0	54,338	Aa3 (Stable)	1.4%	5.6%	21.0%	n/a	-3.6%
Cuba	11,300	77.1	6,848	Caa2 (Stable)	4.7%	3.5%	22.3%	n/a	1.2%
Curacao	143	3.0	21,247	A- (Stable)	0.4%	13.0%	37.0%	4.2	1.5%
Dom Rep	10,400	60.8	5,662	BB- (Stable)	6.2%	6.0%	46.0%	3.4	0.4%
ECCU	605	5.7	8,922	n/a	1.7%	20.0%	98.5%	8.0	0.8%
Guyana	756	2.7	3,596	Not rated	3.2%	11.0%	65.0%	3.5	0.5%
Jamaica	2,751	15.3	5,526	B (Stable)	0.6%	13.2%	125.0%	5.3	3.8%
St. Maarten	43	0.8	19,333	Baa1 (Stable)	-0.6%	15.0%	22.0%	4.2	1.9%
Suriname	541	5.1	9,339	BB- (Stable)	4.1%	9.5%	37.8%	2.0	4.3%
T&T	1,328	23.8	17,935	A (Stable)	-2.0%	3.7%	60.0%	12.0	4.0%