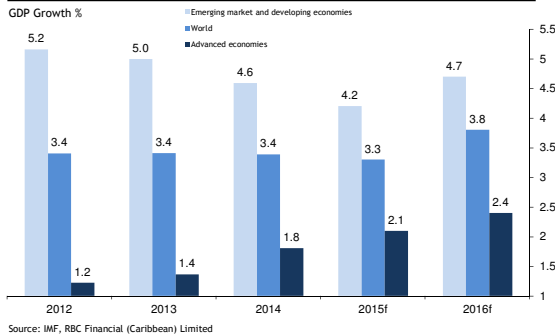


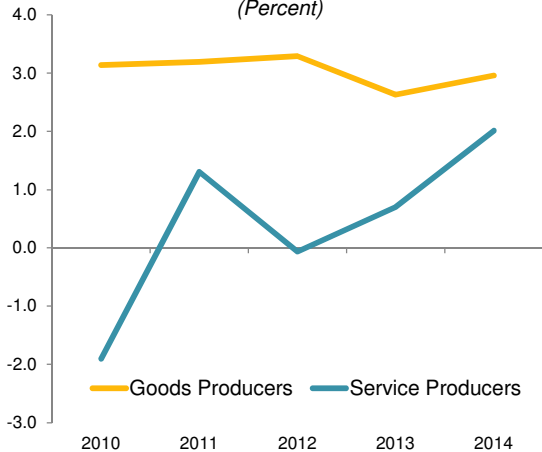
CARIBBEAN ECONOMIC REPORT

July 2015

IMF Real GDP Growth Forecasts as at July 2015

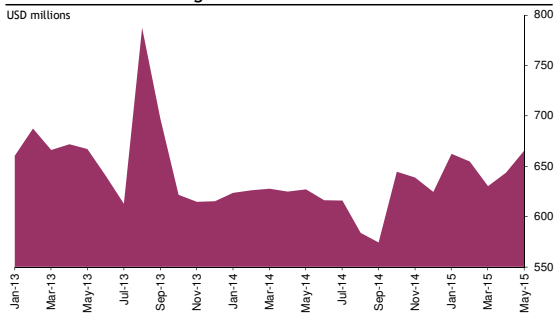


CARIBBEAN GDP GROWTH RATES, 2010-2014 (Percent)



Source : United Nations Economic Commission for Latin America and the Caribbean (UNECLAC)

Central Bank Net Foreign Assets : Aruba



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IMF says growth is currently slowest since 2009

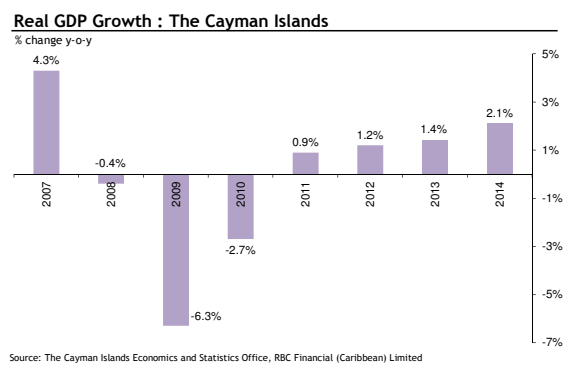
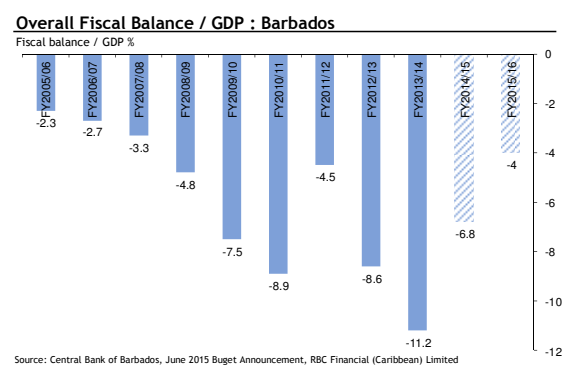
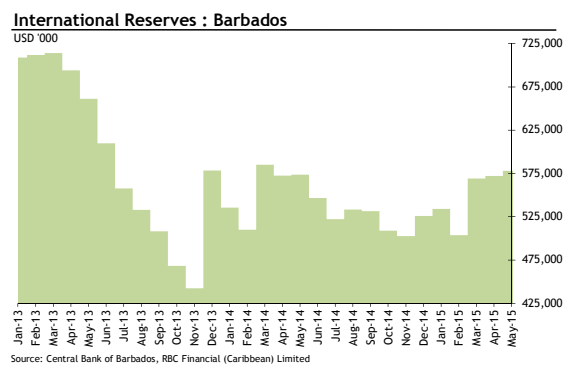
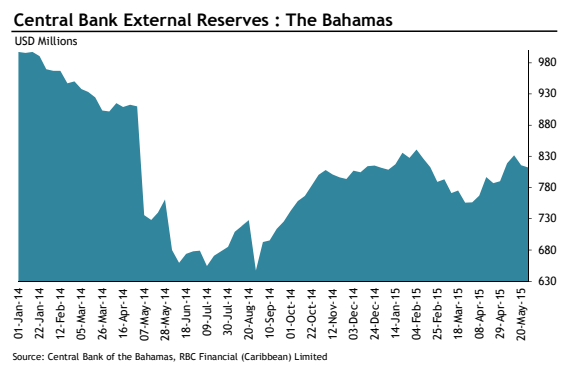
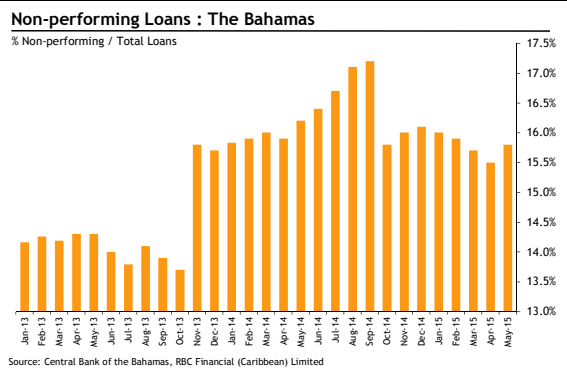
It was too good to be true. When the IMF released its World Economic Outlook (WEO) update in April 2015, it was the first time since the onset of the great recession that it had *not* revised their previous global growth projections downward. In fact, in said April 2015 WEO update, the IMF maintained its previous 2015 global growth forecast at 3.5%, and *increased* its 2016 projection by 10bps to 3.8%. Alas, this renewed optimism was short-lived. The IMF has now cut its 2015 global growth projection by 20bps to 3.3% - the lowest growth rate since 2009 - but maintained its 2016 forecast at 3.8%, in its July 2015 WEO update. The USA's Q1 2015 slowdown is the major driver of this decision, and the IMF now expects advanced economies to expand by 2.1% this year (down 30bps from April 2015) - the slowest pace of growth since 2010. Growth in emerging markets and developing economies continues to be dampened by lower commodity prices, tighter external financial conditions, structural bottlenecks, rebalancing in China, and geopolitical factors according to the IMF, prompting a 10bps cut to this category's 2015 growth projection to 4.2% - the lowest since 2009. Latin America and the Caribbean suffered the (relatively) largest cut to its 2015 growth forecast (at 40bps), and is now expected by the IMF to expand by only 0.5% this year - again, the slowest growth since 2009.

UNECLAC : Caribbean growth to slow to 2.1% in 2015

The UNECLAC's 2015 Economic Survey of the Caribbean, reported growth at 1.3% in 2013 and 2.3% in 2014, driven mainly by the combined effects of lower commodity prices and stronger tourism activity. In line with the IMF's projection of slower growth this year, the UNECLAC expects Caribbean growth to decline by 20bps to 2.1% in 2015, driven by slightly softer activity in both commodity exporters and tourism based economies. The strongest growth this year is expected in Guyana and Antigua and Barbuda. UNECLAC also expects the overall fiscal deficit to decline further due to continued consolidation, leading to a marginal improvement in debt levels.

Aruba – Reserves strengthen on strong tourism activity

Stopover arrivals for H1 2015 have expanded by 16.2% y-o-y to cross 569K, according to the Caribbean Tourism Organization (CTO). The Central Bank's net foreign assets expanded y-o-y for an eighth consecutive month, to reach USD665.5 million in May 2015 (up 6.16% y-o-y), which we estimate at 3.6 months of import cover. Inflation remained quite stable at 1.1% in May 2015.



The Bahamas – S&P issues credit watch negative

The Central Bank’s May 2015 report show foreign reserves declining y-o-y for a fifth consecutive month, to reach USD942.66 million, which we estimate at 2.6 months of import cover. Non-performing loans expanded to 15.8% of total loans. This is expected to deteriorate further as Baha Mar lays off over 2,500 employees. The fiscal deficit narrowed to BSD229.3 million, as the VAT earned BSD144 million to April 2015. The IMF’s recent staff report stated “Growth is expected to strengthen over 2015-16 with the improvement in US activity and the opening of Baha Mar but...potential GDP growth is estimated at about 1½% over the medium term, insufficient to generate a significant reduction in the high unemployment rate (15.7% in November 2014).” The current uncertainty surrounding Baha Mar’s future suggests that even this growth projection is in jeopardy. On 2 July, S&P placed its Bahamas sovereign credit rating on credit watch with negative implications, which they aim to resolve within 90 days, either by affirming the current rating if Baha Mar is able to resume construction soon, or by lowering the rating by one or more notches if there is a prolonged delay in the opening of the resort, or if the project fails. Moody’s stated that there will be negative pressure on their Bahamas sovereign credit rating, should the legal dispute delay the opening of the resort beyond H2 2016, and if there are risks to debt stabilization due to fiscal slippage or a large negative shock to growth.

Barbados – USD reserves drop 11.4% y-o-y in June 2015

In its H1 2015 report, the Central Bank (CBB) estimated growth at 0.5% y-o-y, as total ‘long-stay’ tourist arrivals increased by 14.4% y-o-y. Due partly to external government debt servicing, international reserves fell 11.4% y-o-y to USD484 million in June 2015—the lowest level since November 2013—which the CBB reports at 14.4 weeks of import cover. Unemployment averaged 12.3% in 2014, up from 11.6% in 2013. In Q2 2015, the overall fiscal deficit widened by 15.2% y-o-y to BDS220.6 million, and a primary fiscal deficit of BDS6.3 million was recorded—a deterioration of over 141% y-o-y. Gross public sector debt grew by roughly 1% y-o-y, or 5.5% of GDP in H1 2015. In July 2015, the government received a policy-based loan of USD50 million from the Development Bank of Latin America (CAF), which could boost USD reserves, but also increases the government’s debt load. The IMF’s press release on conclusion of its Article IV consultation, shows growth projected at 1% in 2015 on stronger tourism activity. The accompanying IMF staff report has not yet been released, however. The IMF estimates the government’s arrears at roughly 4% of GDP (not including arrears of public enterprises or net overdues at the Revenue Authority), and central government gross debt/GDP at 134.4% (not including public corporations’ debt and the government’s arrears).

Cayman Islands – Fourth straight year of rising growth

CTO data show stopover arrivals grew 2.6% y-o-y to May 2015 y-o-y, while cruise passenger arrivals expanded by 5.1% y-o-y over the same period. The 2014 Annual Economic Report showed growth reached 2.1% in 2014—the fastest pace since 2007—driven mainly by tourism and lower energy prices.

Cuba – Embassy opened in DC, 4.7% growth in H1 2015

July 2015 saw two significant events in the US-Cuba rapprochement process. The US reopened its six-storey embassy in Havana, and Cuba opened its own embassy in Washington. An amendment to a US Senate Spending bill permits Americans to travel to Cuba without a special license, and also removes some restrictions on trade and financial transactions between the two nations. The Cuban authorities estimate growth at 4.7% in H1 2015, and project growth to reach 4% this year, versus 1.3% in 2014. CTO data show stopover arrivals grew 15.2% y-o-y to May 2015, to reach 1.7 million visitors.

Curacao and St. Maarten – weak growth in 2015

Net official reserves are expected by the Central Bank to expand 8% y-o-y in July 2015 to an estimated 4 months of import cover, driven partly by stronger tourism-related inflows. CTO data show Curacao's stopover arrivals grew 15.2% y-o-y to May 2015, on higher arrivals from all source markets. Curacao's cruise passenger arrivals fell 7.7% y-o-y to May 2015, while St. Maarten's grew 7.5% y-o-y to March 2015. The President of the Central Bank recently reported that Curacao contracted for the third consecutive year in 2014 at -1.1%, while St. Maarten's growth intensified to 1.5%.

The Dominican Republic – Policy rate maintained at 5%

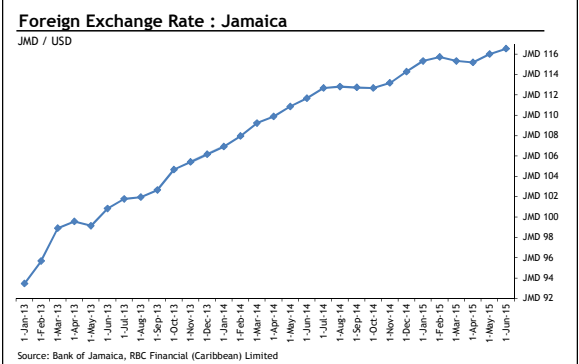
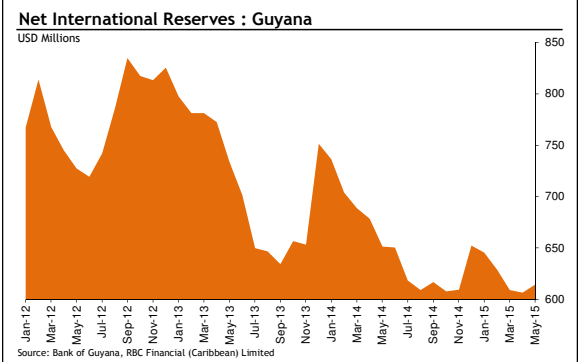
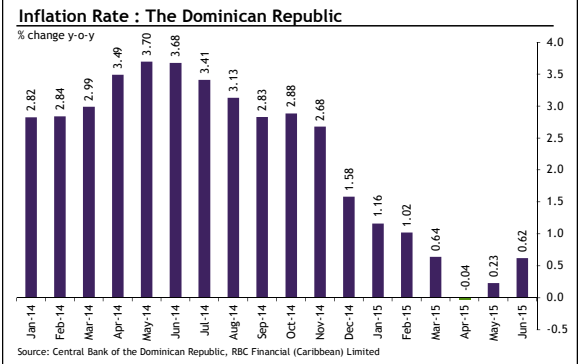
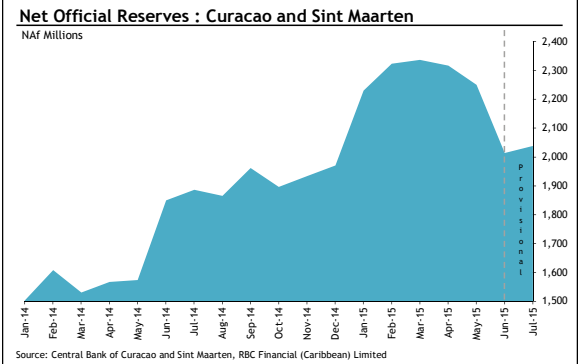
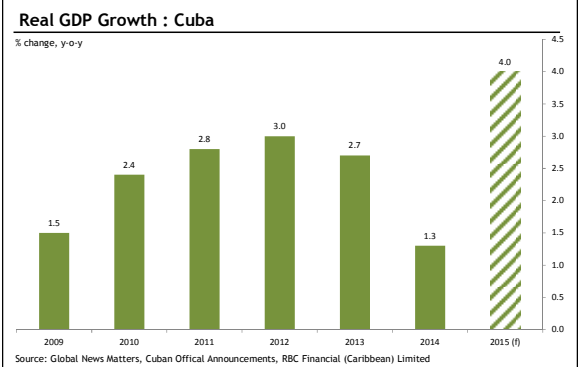
The Central Bank (BCRD) held its policy rate steady at 5% for a second consecutive month in July 2015, when inflation increased to 0.62% y-o-y—still well below the target range of 4.0% ± 1.0%. The economy is estimated by the BCRD to have grown at an annualized pace of 6.1% y-o-y in May 2015, and import cover stands at 3.4 months. CTO data show stopover arrivals grew 6.8% y-o-y to May 2015, with higher numbers coming from all source markets apart from Europe. Cruise passenger arrivals to April 2015 however, showed a 7.8% y-o-y decline.

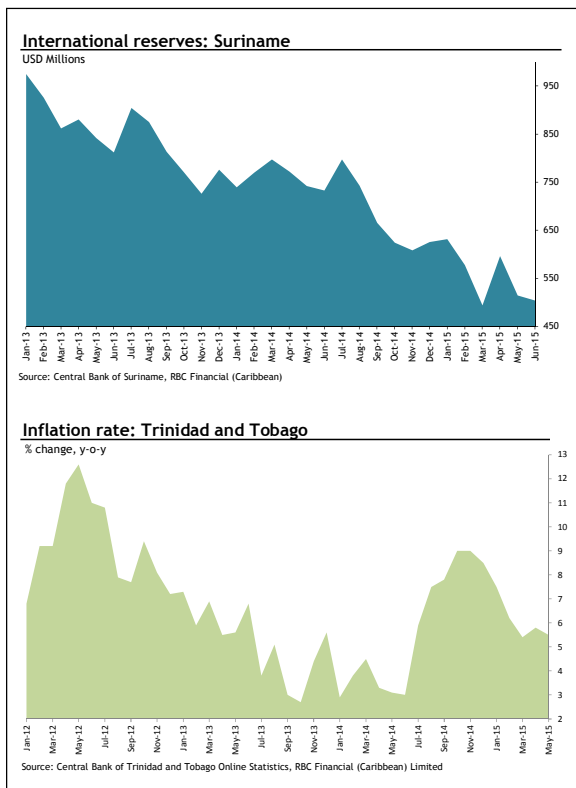
Guyana – Reserves fell for 24 consecutive months y-o-y

Central bank's international reserves declined 5.71% y-o-y in May 2015 to USD614.1 million, which we estimate at 3.57 months of import cover. Stopover arrivals grew 3.4% y-o-y to May 2015, driven by higher numbers from the USA and 'other' markets, while arrivals from Europe and Canada declined.

Jamaica – USD2 billion in Eurobonds issued successfully

International reserves at the central bank (BoJ) expanded by 54% y-o-y in June 2015, bringing import cover to almost 20 weeks. The JMD depreciated by 4.37% y-o-y in June 2015—the slowest pace of inflation since September 2012. The BoJ reported inflation at 4.4% y-o-y in June 2015, up from 3.97% y-o-y in May. CTO data show stopover arrivals increasing by 4.2% y-o-y to May 2015, as higher numbers were seen from all major source markets apart from Canada. To repay USD3 billion owed to PetroCaribe and to finance the fiscal deficit, Jamaica successfully issued two Eurobonds; USD1.35 billion at 6.75% maturing on 28 April 2028, and USD650 million at 7.87% maturing on 28 July 2045—the largest external debt issue ever for Jamaica.





Suriname – Reserves fall 31% y-o-y to USD504 million

Central Bank online data show inflation rising to 5.2% y-o-y in June 2015—the highest rate since March 2012. International reserves have declined y-o-y for 26 consecutive months, to USD504 million in June 2015, which we estimate at roughly 2.5 months of imports.

Trinidad and Tobago – TTD appreciated for 13 months

Headline inflation softened slightly in May 2015 to 5.5% y-o-y, while core inflation edged up to 1.9%, according to central bank (CBTT) online data. Excess liquidity in the financial system has fallen 31.25% y-o-y from TTD4.8 billion in July 2014 to roughly TTD3.3 billion in July 2015, and is expected to decline further with the upcoming TTD1.5 billion Phoenix Park IPO. The CBTT injected USD125 million in June 2015, down from USD135 million in May, bringing total injections for H1 2015 to USD1.12 billion—part of the reason for the rapidly declining excess TTD liquidity. Despite relatively high levels of USD injections and lower energy export prices, net international reserves expanded 4.45% y-o-y in May 2015 to USD10.66 billion, which the CBTT places at 12.3 months of imports. The TTD has appreciated against the USD for 13 consecutive months, to average TTD6.365 : USD1.00 in June 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% | 3.6 | 1.1% |
| The Bahamas | 347 | 8.2 | 23,417 | BBB (-ive watch) | 1.0% | 15.7% | 61.0% | 2.6 | 1.3% |
| Barbados | 274 | 4.5 | 16,307 | B (Negative) | 0.5% | 12.3% | 134.3% | 3.3 | 1.4% |
| Cayman | 58 | 3.0 | 54,338 | Aa3 (Stable) | 2.1% | 4.7% | 21.0% | n/a | 0.6% |
| 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) | -1.1% | 13.0% | 37.0% | 4.0 | 1.5% |
| Dom Rep | 10,400 | 60.8 | 5,662 | BB- (Stable) | 6.1% | 6.0% | 46.0% | 3.4 | 0.6% |
| ECCU | 605 | 5.7 | 8,922 | n/a | 0.7% | 20.0% | 98.5% | 8.0 | 0.8% |
| Guyana | 756 | 2.7 | 3,596 | Not rated | 3.2% | 11.0% | 65.0% | 3.6 | 0.5% |
| Jamaica | 2,751 | 15.3 | 5,526 | B- (Positive) | 1.8% | 14.2% | 146.2% | 4.6 | 4.4% |
| St. Maarten | 43 | 0.8 | 19,333 | Baa1 (Stable) | 1.5% | 15.0% | 22.0% | 4.0 | 1.9% |
| Suriname | 541 | 5.1 | 9,339 | BB- (Stable) | 4.1% | 9.5% | 35.6% | 2.5 | 5.2% |
| T&T | 1,328 | 23.8 | 17,935 | A (Stable) | -0.5% | 3.2% | 46.6% | 12.3 | 5.5% |

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