

Republic Economic

NEWSLETTER

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Breathing Room

OVERVIEW

The first quarter of 2022 was the continuation of a transition period, but one that was unfolding in a time of significant uncertainty. The quarter saw the highest number of confirmed COVID-19 cases to date, just under 46,000, eclipsing the approximately 42,000 cases of the previous quarter. However, the estimated 877 deaths recorded was a significant falloff from the record 1,395 in the fourth quarter of 2021. Ongoing supply chain issues and rising oil prices, saw global food-price increases and inflation in general, emerge as major areas of concern; all of which were exacerbated by Russia's saber-rattling and eventual invasion of Ukraine on February

24th. Though virtually all restrictions on economic activity were removed, in the prevailing environment, the domestic economic recovery appeared somewhat tentative, with some sectors that were allowed to operate from months earlier, like energy production and manufacturing, motoring along while others faltered. Based on these developments Republic Bank estimates that economic activity grew by 3.5 percent in the first quarter compared to the fourth. The unemployment rate stood at 4.9 percent in the fourth quarter of 2021. Republic Bank estimates that the unemployment rate declined to 4.7 percent in the first quarter of 2022. The Composite Stock Price Index fell by 2.79 percent to reach 1,455.20 at the end of March. Trinidad and Tobago's (T&T's) foreign reserves, typified by net foreign position, stood at US\$10,601.90 million at the end of March, down from US\$10,859.30 million at the end of 2021.

ENERGY SECTOR

The 2021 trend of rising energy prices continued in the first quarter of 2022 and was in fact given greater impetus with Russia's invasion of Ukraine. West Texas Intermediate (WTI) crude oil averaged US\$95.18 per barrel in the quarter, 23.2 percent up from the fourth quarter 2021 price and 63.9 percent higher than the first quarter a year earlier. The average natural gas price however, declined by 2.3 percent from the fourth quarter, but at US\$4.66 per million British thermal units (mmBtu), was 30.9 percent higher than a year ago. Maximum returns from the high oil prices were not realised as oil production fell by 2.1 percent to average 59,714 barrels in the first quarter. Encouragingly, gas output increased by 7 percent over the previous quarter to 2,722 million standard cubic feet per day (mmscf/d) but was still 5.4 percent lower than the corresponding period in 2021. The indicators of exploration activity, rig days (40) and depth drilled (4,245 feet) were 82 percent and 90.6 percent respectively, lower than the previous quarter and were significantly below the 'year ago' levels as well.

Liquefied Natural Gas (LNG) production averaged 1,532,407 cubic metres (m³) in the first quarter. While this represented a 17.4 percent increase over the previous quarter, it was 2

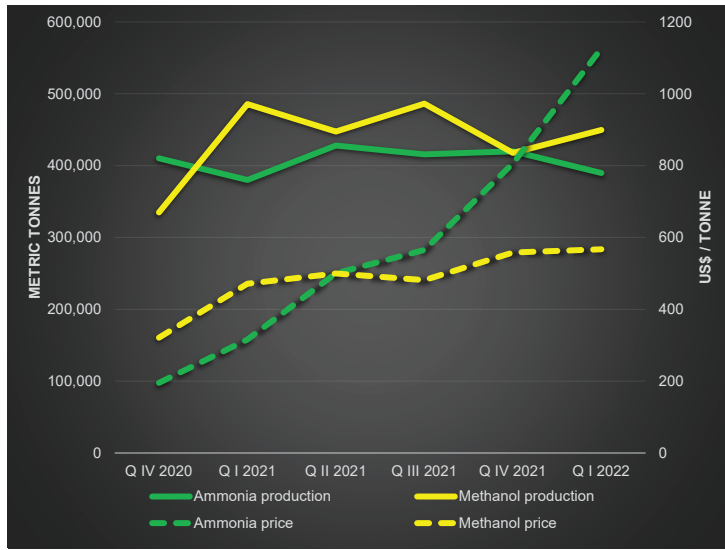
TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

Indicator	2021	2021.1	2022.1 p/e
Real GDP (% change)	-4.7	-2.6	3.5
Retail prices (% change)	2.01	0.30	4.04
Unemployment Rate (%)	5.4	6.5	4.7
Fiscal Surplus/Deficit (\$M)	-13,741.7	-2,895.4	0.2
Bank Deposits (% change)	-0.22	-1.46	-0.87
Private Sector Bank Credit (% change)	2.72	0.24	1.95
Net Foreign Reserves (US\$M)	10,859.3	10,058	10,601.90
Exchange Rate (TT\$/US\$)	6.73 / 6.78	6.73 / 6.78	6.74 / 6.78
Stock Market Comp. Price Index	1,496.90	1,343.50	1,455.20
Oil Price (WTI) (US\$ per barrel)	68.21	58.09	95.18
Gas Price (Henry Hub) (US\$ per mmBtu)	3.91	3.56	4.66

Source: - Central Bank of Trinidad and Tobago, TTSE, EIA
p – Provisional data
e – Republic Bank Financial Holdings Limited estimate

percent below the same period in 2021. Petrochemical output was a mixed bag with ammonia production in the first quarter falling by 7.2 percent (2.5 percent increase year on year) and methanol output growing by 7.7 percent (7.4 percent contraction year on year). Producers would do well to increase production to capitalise on rising prices. As part of a yearlong surge, the average ammonia price increased by 39.7 percent in the first quarter to US\$1,125.83 per tonne, with the increase in methanol prices much more modest at 1.6 percent, to reach US\$567 per tonne (Figure 1).

Figure 1: Ammonia and Methanol Production and Price



Sources: Central Bank of Trinidad & Tobago (CBTT), Ministry of Energy and Energy Industries

NON-ENERGY SECTOR

The non-energy sector was, and is, expected to see a general increase in activity, characterised by greater sales and output, with the removal of all restrictions on economic activity in recent months. However, contrasting developments in key barometers of non-energy sector activity, suggest that improvement across the spectrum of non-energy sub-sectors may be patchy and the overall recovery of the sector may be slower than anticipated. According to the Central Bank's Monetary Policy Report of May 2022, capacity utilisation in the manufacturing sector increased strongly in the fourth quarter of 2021 to 66.3 percent from 60.7 percent in the previous quarter, with activity driven by greater food production. This trend likely continued into 2022. Conversely, construction activity likely slowed in the first quarter, as cement sales were 0.3 percent down from the previous quarter and 8 percent down year on year. Similarly, in the trade and repair sector, first quarter new vehicle sales at 2,340 were 14.5 percent lower than the December quarter and 3.3 percent lower than the first quarter of 2021.

FISCAL POLICY

On May 16th, the Minister of Finance presented the Mid-Year Review of the 2021/2022 Budget and related developments as part of the process for laying the Supplemental Appropriation for the 2021/2022 fiscal year. The information presented was decidedly positive.

Key developments

- The initial 2021/2022 budget was boosted by a supplementary appropriation of \$3,081.7 million
- Over the first 7 months of the current fiscal year (October 1st to April 30th) government registered a fiscal surplus of \$1.98 billion, a significant turnaround from the \$5.7 billion deficit that was projected in early October.
- The increase was due to higher than anticipated receipts on taxes on income and profits, taxes on goods and services, taxes from international trade, other taxes, unemployment fund and green fund receipts. The taxes on the petrochemical companies were a major contributor to the revenue increase, along with oil companies.
- Based on actual data from the Central Statistical Office (CSO), T&T's debt to GDP ratio at the end of 2021 was 77 percent; a major improvement over the previously estimated value of 87 percent. As at May 16th, 2022, the country's debt to GDP ratio had improved to 72 percent.
- The 2021/2022 fiscal year is expected to register a significantly lower deficit than the \$9.095 billion (5.81 percent of GDP) initially forecast.
- A number of plans and initiatives to which the additional revenue will be applied, were announced (Table 2).

Table 2: Plans for the additional revenue

Plans for the additional 2021/2022 fiscal year revenue
Reduce the budget deficit
Deposit into the Heritage and Stabilisation Fund
Clear arrears to utility companies
Clear arrears to companies that provide janitorial and security services
Clear arrears on rented properties
Make an additional payment of \$1.676 billion in VAT refunds, leading to a total of \$4 billion in VAT refunds to be paid in 2022
Pay outstanding gratuities to contract workers
Make outstanding payments to suppliers and contractors
Meet increasing demands for social welfare payments
Payment of outstanding wages to public servants based on settlement of collective bargaining process
Pay subsidies on motor fuels and LPG in 2022
Major road upgrade and repair programme
Major desilting programme
Fund government's affordable housing programme

MONETARY POLICY

Strong inflation persisted in countries across the world, eliciting policy responses from some leading economies. In March, the United States Federal Reserve and the Bank of England raised their respective policy rates by 25 basis points to a range of 0.25 – 0.5 percent and 0.75 percent, respectively. On May 4th, the US rate was further increased by 50 basis points to the range 0.75 – 1.0 percent, while the UK's rate was raised by 25 basis points to 1.0 percent. On June 15th, the US rate was then increased by 75 basis points to the range 1.50 – 1.75 percent. Domestically, in the first quarter of 2022, food prices increased by 0.6 percent compared to the previous quarter but by 7.8 percent compared to one year earlier (y-o-y). Overall prices also increased by 0.6 percent from the fourth quarter of 2021, and by 4 percent y-o-y. While noting the clear upward trajectory of domestic inflation, and mindful of the growing potential for rising interest rates in leading economies to spur capital flight, on June 24th, Central Bank's Monetary Policy Committee (MPC), opted to maintain the 'Repo' rate at 3.5 percent. The MPC cited the largely imported nature of current inflation trends and the need to encourage domestic economic activity as the key drivers of its decision.

Liquidity has been trending down, though it increased at the end of the quarter with commercial bank average excess reserves at \$5.77 billion in March. Interest rates remained unchanged, with the commercial banks' average basic prime lending rate still at 7.47 percent. Consumer credit grew by 1.29 percent in the first three months of 2022 but was just 0.39 percent above the March 2021 balance. Private sector credit growth in the quarter was slightly better at 1.95 percent, with the March balance of \$63,464.5 million 4.48 percent higher than a year ago. Commercial bank total deposits decreased, falling by 0.87 percent in the quarter to \$121,812 million.

OUTLOOK

The prevailing global conditions are likely to persist through the rest of 2022. Global inflation pressures, and measures taken to counteract it, such as raising interest rates, will lower countries growth prospects, with both the World Bank and the International Monetary Fund making downward revisions for global growth and that of several leading economies. Further, indications are that the supply crunch of food staples such as wheat and vegetable oil could deteriorate into outright

scarcity in some parts of the world due to reduced production and distribution capacity, made worse by high fertilizer prices that place this commodity out of the reach of some farmers.

Domestically, while many citizens remain frustrated at daily COVID-19 deaths and triple-figure new case counts, encouragingly, in a quarter that saw the return of full face-to-face schooling, the second quarter of 2022 is likely to register an approximately 36 percent drop in new cases and a 70 percent drop in deaths. Despite patchy production levels that work against the maximum capitalisation of the high energy and petrochemical prices expected to persist over the short term, T&T's government is expected to benefit from higher-than-expected revenue and the fiscal breathing room it affords, into early 2023. It is encouraging that the long list of initiatives identified for the use of the additional revenue includes making various outstanding payments to businesses, as this can spur increased investment in new staff and productive capacity, which can have significant multiplier effects going forward. Although the government will not be able to make all of the payments mentioned, making good on some, could provide a fillip to economic activity going into 2023. However, deteriorating global conditions is a potential headwind, as the 'unprecedented' price increases and shortages that may lie ahead can stymie economic growth if businesses and individuals adopt a cautionary approach and reduce spending and investment.

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A Promising Start Marred by Painful Developments

Overview

With much of the world dismantling COVID-19-related restrictions, the first quarter of 2022 was a period in which much of the region registered encouraging economic performances, with tourist arrivals on the rise and commodity prices elevated. In addition to facilitating short-term growth for most of the region, these conditions seemed to portend a road to the eventual full recovery for much of the region by 2024. The period was not without its challenges however, as the outbreak of the Russia-Ukraine conflict in February intensified the dislocations caused by the pandemic. This had the effect of exacerbating shortages and stoking already elevated global inflationary pressures, with the price increases of food and energy being particularly hurtful to the Caribbean, a region that imports most of what it consumes. Naturally, these high rates of inflation spawned fears that the region's economic recovery could be stymied. On the positive side, the region is now being forced to focus earnestly on food security. In addition to these difficulties, increasing sanctions on Russia ultimately brought Caribbean Citizenship by Investment (CBI) Programmes under considerable scrutiny, with the US and European Union officials encouraging the cessation of such programmes. Indeed, both regions have long identified the potential for CBI arrangements to create opportunities for money laundering and other illicit activities. They are now expressing concerns that specific sanctioned Russian oligarchs can use perceived weaknesses in the programmes to slip through the cracks. However, given the importance of CBIs to several regional states, they are appealing for developed countries to adopt a measured approach regarding the regulation of CBIs going forward. In March, the Prime Minister of Antigua and Barbuda revealed that he wrote to EU officials, both to defend the integrity of his country's programme and to highlight the deleterious impact their plans (including the imposition of heavy CBI taxes) will likely impose on the affected Caribbean nations. With the programmes facing an existential threat, at least one senior IMF official has advised the region to cooperate with the US and the EU to improve the management of these schemes.

Anguilla

The country's luxury tourism sub-sector is expected to receive a boost with the construction of the US\$6 million private jet terminal at the Clayton J Lloyd International Airport. The terminal, which will be operated by Lloyd's Aviation Services, will have US Transportation Security Administration (TSA)

approved customs and immigration services to facilitate easier entry and departure. In June 2021, the company indicated that the terminal may be completed by the middle of 2022. It seems more time will be required. Although official tourist arrivals data for the first quarter of 2022 is not available, anecdotal evidence suggests an improvement over the same period in 2021, when stay-over arrivals contracted by 80.6 percent. In some disappointing news, just a few months after its launch in November 2021, Cape Air suspended its service to the island in April, due to logistical and personnel challenges. With the recovery of global tourism, the service was a means to improve Anguilla's airlift from neighbouring islands. To help cushion the effects of rising global food prices, in June 2022, government removed duties and taxes on selected food items for a period of six months, in the first instance. This follows the decision (announced in April) to remove the excise tax on gasoline imports, also for at least six months. This was prompted by high and rising energy prices.

Barbados

Driven by a resurgent tourism sector, the Barbados economy expanded by 11.8 percent during the first quarter of 2022. Total stay-over arrivals totalled 114,457 compared to a mere 7,196 during the same period in 2021. Growth was recorded in all major source markets, with the UK recording the strongest performance. The sector also recorded 94,378 cruise passenger arrivals during the period, compared to zero in the corresponding period in 2021, when the sector was inactive. Despite these encouraging developments, activity in the sector and wider economy was substantially below pre-pandemic levels. Further, Barbados Hotel and Tourism Association (BHATA) has expressed fears regarding the supply of labour, in the wake of the Royal Caribbean Group offering 1000 cruise ship jobs to Barbadians and the decision by some workers, who were retrenched during the pandemic, not to return to the sector. Nonetheless, the positive performance of tourism generated momentum in other sectors, with manufacturing, distribution, transport and finance all registering growth. Meanwhile, the construction sector benefitted from the removal of COVID-19-related restrictions, as evidenced by the 5.1 percent increase in activity it enjoyed. Despite the improved economic performance, the financial sector continued to face weak credit demand, with private sector credit contracting by 0.4 percent compared to a 0.9 percent decline in first quarter 2021. Notwithstanding the rise in foreign exchange earnings

that accompanied the growth of the tourism sector, gross international reserves fell slightly from fourth quarter 2021 levels, but at US\$1,509.5 (9.1 months of import cover) was markedly above the levels recorded at the end of March 2021 (US\$1,287.2). Regarding the country's fiscal accounts, public debt fell to 131.9 percent of GDP in the first quarter from 142.4 percent a year earlier, while the fiscal deficit decreased to 2.7 percent of GDP from 4.4 percent.

British Virgin Islands (BVI)

With the UK-sanctioned Commission of Inquiry (COI) related to governance issues ongoing, political uncertainty pervaded the environment in the first quarter. This uncertainty was considerably heightened in April, when the country's then sitting Premier, Mr. Andrew Fahie, was arrested in the US on drug trafficking charges. This sparked fears that the coalition National Unity government could crumble, given the tremendous challenges confronting it to that point. Nevertheless, those concerns were assuaged when Mr. Fahie's deputy, Dr. Natalio Wheatley, was sworn in as the new Premier in May. The political tensions did not end there however, as the damning findings of the COI report were made public soon after the former Premier's arrest. To address the failings in the nation's governance practices and structures, the report proffered 49 recommendations, including the temporary suspension of sections of BVI's constitution. This effectively would have brought the nation under direct UK control. However, the UK authorities decided not to take such actions, but instead accepted government's plan regarding the implementation of the other recommendations contained in the report. The agreement was subject to several conditions being met, including a set of strict delivery milestones. This implies that the prospect of direct UK rule remains an option if the enactment of the recommendations is found wanting. Turning to the latest economic developments, the domestic tourism sector hosted 26,225 stay-over visitors in the first two months of 2022, compared to only 3,386 during the entire first quarter of 2021. Although encouraging, this was less than 50 percent of 2019 numbers. Regarding the country's financial services sector, it is difficult to imagine its reputation not being negatively impacted by the latest political developments.

Cayman Islands

During the first three months of 2022, the government recorded its best quarterly revenue outturn (\$446.9 million) surpassing 2019's figures by \$73 million. The bulk of the revenue growth was due to offshore business fees and the solid performance of the financial sector. While government expenditure also increased, it amounted to just over half of the revenue haul, resulting in a fiscal surplus of \$221 million. The strong performance of the financial sector and increased business fees compensated for continued weak tourism revenue. Given the jurisdiction's high COVID-19 vaccination rate (90.2 percent fully vaccinated as at June 3rd) there have been growing calls from industry practitioners for government to drop the remaining restrictions, including the mask mandate. While official tourism data for the first quarter is not available, it is likely that the sector registered a better performance than in the same period in 2021. Reflective of rising global

price pressures, the country experienced an 11.2 percent rise in inflation in the first three months of 2022, with electricity costs and fuel prices increasing by 35 percent and 29 percent, respectively. The elevated international prices were also partly responsible for the 16.7 percent year-on-year (y-o-y) increase in imports to \$334.9 million during the period.

Cuba

The ongoing Russia-Ukraine war has made Cuba's foreign exchange crisis even more acute, by pushing the price of imports substantially higher, threatening to further constrain economic activity in the process. Against this backdrop, the increase in tourist arrivals during the first few months of 2022, was an encouraging development. Stay-over arrivals during the first four months of 2022 totalled 447,847, considerably higher than the 177,877 posted in the same period in 2021. Although growth was recorded in all major source markets, the rebound in Canadian arrivals provided the bulk of the impetus. In a move to encourage further growth in the sector, in April, Cuba discontinued the requirement for visitors to show proof of COVID-19 vaccinations or a negative PCR test. Shockingly, misfortune gripped the sector in the form of an accidental explosion at the Saratoga hotel in Havana on May 10th. Sadly, the explosion resulted in more than 40 deaths and the loss of valuable room stock. As it relates to other sectors of the economy, the nickel industry benefitted from increased international prices, which contributed to the 38 percent increase in total exports during the first quarter of 2022. The news in the agriculture sector was not encouraging though, with the country recording its worst sugar harvest in a century. The 474,000 tonnes produced represented only 52 percent of the target output. On the diplomatic front, in May 2022, the US government announced the removal of sanctions imposed by the previous administration. These include, the removal of the cap on family remittances, the easing of travel restrictions and the relaunch of family reunification programmes. This comes after the US took the decision to reopen the consular section of its embassy in Havana in the previous month.

Dominica

Economic activity in the first quarter continued to be driven primarily by reconstruction works linked to the devastation caused by Hurricane Maria in September 2019. To this end, the April 2022 announcement of the Caribbean Development Bank's (CDB) approval of \$200 million in loan and grant funding for infrastructural works on the island, bodes well for the construction sector. Even so, some stimulus was also provided by the tourism sector, which experienced its best quarter for some time. Stay-over arrivals rose to 8,050 in the first quarter of 2022, compared to 1,973 in the same period in 2021 and more than half the total for all of 2021. With lockdown measures precluding activity in the cruise sub-sector during the first three months of 2021, the arrival of 70,918 tourists by this mode in first quarter 2022, was a sight for sore eyes. This outturn was also greater than the total cruise arrivals for all of 2021 (50,835). At a time when the world is contending with a mushrooming food crisis, the move to establish the Dominica Agricultural Science Complex is indeed appropriate. The initial investment for the complex is estimated to be \$10 million

and will be funded by the Chinese government. The facility will integrate research, training and small-scale production and is expected to play a major role in the transformation of the country's agriculture sector, by helping to improve yields and control production costs. The groundbreaking ceremony for the project took place on June 10th, 2022. However, no information was found on the expected date of completion. Like the rest of the world, Dominica is contending with rapidly rising prices. In May, government introduced measures to cushion the effects of rising fuel prices on consumers; namely, the introduction of fuel subsidies and the removal of the customs service charge on gasoline and diesel.

Grenada

The economy recorded another period of growth in the first quarter of 2022, impelled by the improved performance of the tourism sector and continued growth in the agriculture sector and construction. With respect to tourism, stay-over arrivals (25,146) were only 43 percent of pre-pandemic levels, but were more than ten times above the visitors received in the first quarter of 2021. Grenada experienced increased stay-over arrivals from all major source markets. Cruise ship arrivals totalled 89,259 between January and March 2022, compared to zero in the corresponding period, a year earlier. The sector is expected to receive a boost in the second half of the year, due to increased airlift. On June 4th, American Airlines started a weekly flight to the island from North Carolina. This adds to its other services to Grenada. Starting on October 30th, Air Canada will restart nonstop service between Toronto and Grenada in the form of two weekly flights. The sector will also benefit from government's decision to remove all COVID-19-related entry requirements, effective April 4th, 2022. Visitors are permitted entry regardless of their vaccination status and are not required to test for the virus or quarantine. Grenada enters a new era of governance, as the National Democratic Congress, led by Dickon Mitchell defeated the incumbent, Keith Mitchell-led New National Party (NNP) in the June 23rd general election by winning 9 seats to the NNP's 6 seats.

Guyana

Preliminary data suggest that the robust expansion of the domestic economy continued in the first quarter, driven largely by activity in the energy sector and construction. The energy sector benefitted from high crude prices during the period, with Brent spot prices averaging US\$101.17 per barrel. The spectacular medium and long-term prospects of the sector were boosted substantially in April, when ExxonMobil announced its decision to invest US\$10 billion to monetise its Yellowtail offshore crude discovery. This will be the company's largest project in the Stabroek block and is expected to begin production in 2025. It is expected to produce 250,000 barrels of oil per day. Also in April, the Hess corporation announced an increase in the oil discovered recoverable resources in its offshore Stabroek block to 11 billion barrels of oil equivalent from 10 billion. Switching focus to developments on the international gold market, Guyana benefitted from a 4.6 percent rise in gold prices to US\$1,877.16 per troy ounce in the first quarter of 2022. Given this upbeat environment,

commercial banks' loans and advances to the private sector expanded by 8.8 percent y-o-y at the end of the quarter but were 0.5 percent below the level posted at the end of the fourth quarter of 2021. Business loans, consumer lending and real estate mortgages grew on a y-o-y basis by 9.8 percent, 13 percent and 5.4 percent, respectively. The prime lending rate fell slightly to 8.38 percent from 8.88 percent.

St. Kitts and Nevis

Months of rising tensions among the parties that make up the ruling Team Unity administration culminated in Prime Minister, Dr. Timothy Harris, dismissing six ministers and asking the Governor General to dissolve parliament on May 10th. The coalition partners included the People's Action Movement (PAM), the Concerned Citizens Movement (CCM) and Dr. Harris' People's Labour Party (PLP). Members of the PAM and CCM accused the Prime Minister of straying from the core principles of the coalition and ultimately filed a no-confidence motion against the leader. For his part, Dr. Harris cited absences of PAM and CCM ministers from cabinet meetings as the reasons for their dismissal. In the end, the Prime Minister was forced to send the country back to the polls, a full three years before general elections are constitutionally due. A date is yet to be announced for the elections, although they must take place within 90 days of the dissolution of parliament. In some positive news, the tourist sector received some much-needed impetus during the first four months of the year. The destination entertained 24,810 stay-over visitors during the period, which was 619 percent above the number of tourists a year earlier, but substantially below 2019 levels. The US market accounted for 69.4 percent of the arrivals in this category, while visitors from Europe represented 11.5 percent. A total of 189,913 cruise ship passengers visited the country in the first quarter of 2022. With receipts from its CBI programme forming a vital component of its public-sector revenue and investment, the nation would be keen to agitate for the preservation of the initiative. Accordingly, Dr. Harris has called for a collective effort to deal with the threats facing the programme.

St. Lucia

At the end of March 2022, government delivered a \$1.8 billion national budget for the 2022/2023 fiscal year. The package is based on revenue and grants totalling \$1.3 billion, with a \$505.1 million deficit, which will be financed by the issuance of \$79.7 million in government securities and \$425.4 million in loans. This was the first budget for the Saint Lucia Labour Party (SLP) administration, which took the reins of power in the July 2021 elections. The government also used the budget to acknowledge the increased scrutiny placed on all CBI programmes and to highlight its commitment to review the country's programme to ensure it satisfies all international tax transparency requirements. Turning to economic activity, the decision by Sandals Resorts to expand both the Sandals Regency La Toc and Sandals Halcyon Beach all-inclusive resorts is expected to support the long-term viability of the tourism sector and provide added stimulus for the construction sector in the construction phase. Similar benefits are expected to be derived from the planned opening of the Dream Hotel

Group's Cas en Bas Beach Resort in 2023. The resort will feature 90 luxury accommodations and will be the group's second property in the Caribbean after The Bight in Turks and Caicos. In terms of the most recent outturn for the sector, stay-over arrivals increased to 80,811 in the first quarter of 2022 compared to 19,231 during the same period in 2021. Though encouraging, the figure was still 29.4 percent less than pre-pandemic levels. The island received 73,384 cruise visitors during the period, following a period of inactivity in the first quarter of 2021.

St. Vincent and the Grenadines (SVG)

With sky-rocketing global energy prices, the resumption of fuel shipments from Venezuela under the Petrocaribe agreement, could potentially provide considerable relief for St. Vincent and the Grenadines. According to Prime Minister, Dr. Ralph Gonsalves, the programme, which was previously halted because of US sanctions, is expected to restart in July 2022, with participating countries expected to benefit from a 35 percent discount on fuel prices. In addition, Venezuela also agreed to cancel SVG's outstanding debt under Petrocaribe, which could be as much as US\$70 million or 9 percent of public debt. Further, the Bolivarian state committed to providing free regular supplies of urea to the agriculture sector, as well as houses for people affected by the volcanic eruptions of 2021. While the revival of Petrocaribe can play a major role in helping member countries to satisfy their energy needs, it also represents an avenue through which public debt can be accumulated. In fact, there are other regional states still indebted to Venezuela for fuel supplies received years ago. In other energy sector developments, government is seeking to revive the country's geothermal project and has held meetings with Canadian-based Eavor Technologies in that regard. Officials from the company are expected to return to SVG in late 2023. The Prime Minister expressed hope that technology used by Eavor could make the project economically viable. The initial attempt to develop the resource was halted in 2019 due to low permeability. In tourism, Parliament passed an amendment to the Marriage Act that will make it easier to get married in the jurisdiction. This was done to support initiatives designed to promote the country as a wedding destination. Concerning the performance of the sector, stay-over arrivals rose to 10,407 during the first quarter of 2022, compared to 2,878 a year earlier, when COVID-19-related restrictions and fears surrounding volcanic activity on the main island affected arrivals. The cruise passenger sub-sector, which remained inactive for the first seven months of 2021, registered 31,180 arrivals in the first quarter of 2022.

Sint Maarten

The strong rebound of the tourism sector continued in the first four months of 2022, with 140,274 stay-over arrivals recorded. This was 19.4 percent above the number for the same period in 2019. It is important to note however, that the tourism sector was negatively affected by hurricane damage in 2017 and as such, was operating at a lower capacity in 2019 than it is in 2022. In this regard, the first quarter 2022 growth in stay-over arrivals reflects both reduced capacity constraints and the release of pent up demand. Sint Maarten faced a significant

increase in tourism demand from all major source markets, with the US and Europe accounting for 58.3 percent and 27.8 percent of arrivals, respectively. To the contrary, total cruise arrivals continued to lag pre-pandemic levels, totalling 332,304 in the three months to March 2022. This represents less than half of the cruise arrivals registered during the same period in 2019. In its March 2022 Economic Bulletin, the Central Bank of Curacao and Sint Maarten projected that growth in 2022 will be driven by tourism and the acceleration of construction activity, despite the existence of strong headwinds in the form of inflationary pressures. Regarding spiralling prices, government moved to ease the burden placed on citizens despite its fiscal challenges. Effective June 21st, the import duty on gas was reduced from NAf 29 cents to NAf 15.5 cents per litre. The government indicated that this measure will be in place for a maximum period of 6 months.

Suriname

Suriname like Guyana and Trinidad and Tobago, is facing a double-edged sword in the current environment of elevated commodity prices. On one hand, higher gold and oil prices are providing a fillip to public finance, with government already benefitting from higher receipts from state-owned oil company, Staatsolie for example. On the other hand, high commodity prices, especially food and fuel are imposing severe constraints on middle and lower income households, threatening to restrict economic growth in the process. To alleviate the burden of high fuel prices on citizens, government introduced a temporary subsidy on diesel and unleaded gasoline in April 2022. At the time, it was indicated that the subsidy was being facilitated by greater receipts from Staatsolie, owing to high energy prices. Brent spot oil prices rose from an average of US\$79.42 per barrel in the fourth quarter of 2021 to US\$101.17 during the first quarter of 2022. On the production side of the sector, Staatsolie signed a production sharing contract with Chevron Corporation for the exploration and production of oil at offshore Block 7. The country is pursuing such partnerships to increase offshore exploration. Chevron holds an 80 percent stake in the block. With respect to gold, global prices increased by 4.6 percent during the period to US\$1,877.16 per troy ounce. Despite the increased commodity prices, Suriname experienced a marginal fall in its foreign currency reserves, with official reserves falling to US\$899.2 million in March 2022 from US\$992.2 million three months earlier. Nevertheless, the figure was considerably above the US\$612.1 million recorded in March 2021. The country has reached a staff-level agreement on policy measures for the completion of the second review under the economic reform programme with the IMF. The review found that the country continues to make good progress implementing the reforms that support the programme having achieved most targets set for the end of March.

Region

In Jamaica, economic activity expanded for a fourth consecutive quarter, increasing by 6 percent between January and March 2022. This was the result of an 8.9 percent expansion in the services sector and 2.1 percent growth in the non-services sector. The recovery of the tourism sector continues to progress encouragingly, with the latest available

data pointing to a 236 percent y-o-y increase in stay-over arrivals in the first two months of the year and the continued improvement in cruise arrivals. In this environment, the labour market has received an appreciable boost, with unemployment falling to 6.2 percent in January 2022 from 8.8 percent a year earlier and 7.1 percent in October 2021. The Bank of Jamaica increased its policy rate by 50 basis points to 4.5 percent at the end of March 2022 to help control the level of domestic inflation.

The long-term prospects of the tourism sector in The Bahamas received a boost with the start of construction on Carnival Cruise Line's new cruise port in Grand Bahama, in May 2022. The project is expected to cost \$200 million and is scheduled to be completed by November 2024. Consistent with its commitment under the Paris Agreement, the country is seeking to establish a carbon credit payment system. The required legislation to enable The Bahamas to set up a market where carbon credits are traded, was tabled in April 2022. However, the country's Attorney General acknowledged that there is still work to be done to ensure that an effective system that benefits the nation, is developed. Accordingly, there will be no move to monetise the scheme until it is ready.

Given Haiti's longstanding economic challenges, the surging commodity prices and rising uncertainty that currently characterise the global environment, is causing substantial hardship. Not only are they impeding economic activity, but they are likely to intensify the country's already crisis-level poverty rates. Soaring energy prices have imposed further harsh consequences on public finances, with government still subsidising a significant portion of domestic fuel consumption. Haiti's economic challenges are being further exacerbated by the growing influence of criminal gangs in the territory, given the power vacuum created in the wake of the assassination President Jovenel Moise. Anecdotal evidence suggests that investment is already being negatively affected.

Outlook

High inflationary pressures are expected to apply further considerable pressure on households and businesses in the second half of 2022. This, together with tightening monetary policy in certain developed nations, could act to constrain the region's economic growth during the period. Furthermore, with the Caribbean in the beginning stages of the hurricane season, it is impossible to forget the disruptive effects extreme weather can impose on the affected territory. Nonetheless, the performance of the region's economy is expected to remain positive in the second half of the year, with commodity prices projected to remain elevated and the tourism sector envisaged to benefit from healthy demand. Additionally, activity in the agriculture sector is projected to increase during the period, given the need for the region to focus more intently on enhancing its food security. Even so, the region's unemployment and fiscal challenges are envisaged to improve only gradually.

SHOCK

VALUE



On hearing the word 'shock' one of the first things that comes to mind is an electric shock. However, there are other types of shocks as well. A shock is also defined as a violent shaking movement caused by an impact, explosion or earthquake. It can also refer to a serious medical condition associated with a fall in blood pressure, caused by a loss of blood or severe injury. Even with these varied examples, clearly shocks are generally significant, unexpected and negative; which leads to the broadest definition of a shock as a sudden event or experience that causes a feeling of surprise or distress.

In recent years we have all experienced shocks in one form or fashion. Few, if any, can match the impact of a once-in-a-century virus that reached every part of the globe and effectively caused life as we know it, to grind to a halt. As the number of people infected with COVID-19 began to rise steadily, drastic measures were adopted to slow the spread of this virus. Still, as the number of cases rose, capacity and resources were added to countries' health care systems. Despite this, at times, surges in cases overwhelmed virtually every health care system. Many people needing treatment could not be attended to, health care workers were stretched beyond anything they could have imagined, deaths increased significantly, with a number of health care workers making the ultimate sacrifice, succumbing to the virus themselves. Still, through all this, knowledge grew, awareness of shortcomings grew, the human capacity to endure grew, respect for and appreciation of health care workers grew.

The pandemic was such a massive shock, that it not only spawned multiple shocks but also shocks within shocks. During the initial stages of the pandemic, the world had little knowledge about COVID-19. However, as we slowly began to learn more about the virus, it became apparent that persons with Non-Communicable Diseases (NCDs) such as diabetes and hypertension were more susceptible to the coronavirus.

Despite the various initiatives designed to encourage citizens to make healthier lifestyle choices, and warnings by successive Ministers of Health and medical professionals, a growing segment of the population continues to be ravaged by such diseases. Sadly, this was reflected in the number of deaths reported in the Health Ministry's COVID-19 updates, as most of the fatalities had comorbidities (coexisting health conditions).

It must be acknowledged though, that there exists a percentage of citizens whose comorbidities were genetically passed onto them. However, when the link between NCDs and COVID-19 deaths was established, many of those whose NCDs were brought on by lifestyles choices and many others with borderline conditions found themselves scrambling to make serious positive health changes amid the pandemic.

For some time now, there have been numerous calls for companies to get onboard with the digital age. Workers have been complaining about burnout, long hours of commute and poor work/life balance for some time. Yet most employers were slow to embrace technology or any of the innovative work arrangements to alleviate the hardships confronting their employees. Then, suddenly, the pandemic gave the world a reality check, forcing us to adapt in ways we previously thought were impossible or at least improbable.

As the COVID-19 virus spread globally and governments rolled out measures to slow its advance, service based/close contact businesses were most affected, with those categorised as non-essential being forced to temporarily cease physical operations for long periods. In this environment, there was an appreciable increase in the adoption of digital solutions by businesses and even governments to perform key functions and to satisfy customers' needs. A key feature of this was the widespread implementation of remote work, the benefits of which, many businesses and governments had ignored

to that point. This is yet another example of how powerful a shock can be in changing organisational culture, structure and mindsets. The pandemic represented an existential threat for many businesses. Fortunately, technology provided the foundation for a lot of them to adapt, pivot and ultimately survive the disruptive effects of COVID-19. Now that the world is recovering from the pandemic, most businesses are back to normal operations, but the lessons learnt are changing the workplace. Both employers and employees have a refined perspective on work and renewed expectations for the future.

The region's heavy dependence on external food supplies has been a cause for major concern long before COVID-19. In Trinidad and Tobago, the food import bill averages around TT\$5.7 billion annually. Despite the numerous incentives provided to the agriculture sector, domestic food production and the number of people engaged in it, remain small. The issue is graver in other parts of the world. In some parts of Asia and Africa, food insecurity is more intense, entrenched and complicated, leading to ongoing challenges with malnutrition and child hunger. According to the Global Hunger Index (GHI) rankings, nations like Chad, Somalia, Haiti, Rwanda and India have all been dealing with food insecurity for some time now. Still, developments over the last 18 months, stand out as a sudden, significant deterioration. Production and supply chain bottlenecks led to a jump in global food commodity prices in 2021 as evidenced by the Food and Agriculture Organisation's (FAO's) Food Price Index. High oil prices drove food prices higher at the start of this year and the Russia/Ukraine war, which took significant quantities of wheat, vegetable oil and fertilizer out of the global market, saw prices shoot up even further (Figure 1).

Figure 1: Food and Oil price trends



Sources: FAO Food Price Index, Energy Information Administration (EIA) Energy Industries

On May 18th, 2022 the World Bank announced its global response to the ongoing food security crisis, with funding up to \$30 billion in the areas of agriculture, nutrition, social protection, water and irrigation for countries like Bangladesh, Bhutan, Guatemala, Kyrgyz Republic and Sierra Leone. In the Caribbean, May saw the execution of the Agri Invest Forum

and Expo, a major pillar in the region's drive to reduce its food imports by 25 percent by 2025.

Like global hunger, climate change poses a serious threat to mankind. Despite the alarm bells being sounded by various global environmental groups, many countries have set conservative carbon-reduction targets, while others have fallen well short of agreed targets under the Paris Agreement. Against this backdrop, global CO₂ emissions remain dangerously high. In fact, the Renewables 2022 Global Status Report revealed that the transition to green energy is stalling, as the world is using more fossil fuels than ever. Also, the share of wind and solar energy has only risen minimally over the last decade. As the world rebounded from COVID-19 in 2021, there was a significant rise in overall energy use, most of which was met by fossil fuels and as a result, there was a significant increase in carbon emissions of around 2 billion tonnes last year.

Enter the Russian invasion of Ukraine, which has added a new challenge for many European countries, who for many years, were highly dependent on Russia's oil and gas. In light of the atrocities brought upon Ukraine, the EU has implemented a partial ban on Russian oil and petroleum products. Given the very limited pool of suitable alternative suppliers, this move will be painful to EU consumers. Faced with this scenario, many European territories are now scrambling to secure other sources of fossil fuels and accelerate their development of sustainable energy resources. Admittedly, there has been some progress regarding the development of renewable energy sources in the trading block over the years. However, the urgency of the discourse pertaining to the identification and investment in potential green energy programmes, has probably never been as widespread in the EU, as it is now. Since renewable energy capabilities cannot be developed overnight, it remains to be seen to what extent policy makers can/will maintain the required focus in this regard, given the pressure to satisfy immediate critical energy needs. In any case, the increased focus is indeed encouraging, even if it took the Russia-Ukraine shock to bring it about.

If the title of this piece rolls off the tongue, it's because it was appropriated from an existing phrase. Shock Value refers to the potential of something – whether it be an image, some text, or some form of communication – to bring out negative emotions in someone like unease, guilt, anger, fear or shame. While it certainly seems like 'Shock' in any form is inherently negative, there can be value in a shock. This is in fact the raison d'être of this article. More often than not, shocks either disrupt the status quo or shine such an intense light on it that it is seen for what it is.

As seen in examples above, often, the maintenance of the status quo goes beyond just procrastination and kicking the can down the road. It can also depend on the real-world choices between temporary fixes that keep things moving in the short term or sacrificing over time for more lasting gains; and hinge on having leaders with the strength of character to make the difficult decisions. Sometimes, shocks crystallise the path forward. While it wasn't entirely surprising, it was still shocking to see the breadth and depth of the inequity in

vaccine access between developed countries and developing ones that took place over the last 18 months. The corollary of this is that June saw the groundbreaking ceremony for the construction of a BioNTech vaccine production facility in Kigali, Rwanda. This is the first of three facilities to be built in South Africa and Senegal that will produce vaccines for the African continent. Cuba has an established pharmaceutical industry, built over more than two decades, that developed and produced COVID-19 vaccines for its citizens as well as for export.

Shocks are never desirable, but when they occur, it would be an even greater tragedy if the opportunities for learning and growth that accompany them are missed or spurned altogether. The response can make all the difference going forward.

- Path 1: A shock stops you in your tracks or throws you off course altogether. You struggle and fight to get back to where you were. Based on the knowledge and experience gained, your recovery after the next shock is somewhat smoother.
- Path 2: A shock stops you in your tracks or throws you off course altogether. You take the invariably longer route of building capacity and technical ability, adding redundancies and securing alternative sources of inputs. Based on your new position, you are much less likely to be thrown off course in the future.

As we look ahead, there are many decisions that we can make personally about our lives based on the value of a shock. For some individuals, the pandemic has revealed that family is more important than a six-figure salary. For some nations, the Ukraine-Russia war has shown that the consumption of more local produce is better than heavy reliance on imports. As recent history has shown, shocks can force significant sacrifices or major advances in a short space of time. For the better part of a decade, increasingly strident warnings of climate change along with frequent examples of extreme weather developments would have been heard, seen and experienced by all. Will it take a major shock to force the changes that need to be made? Will they even matter by then?