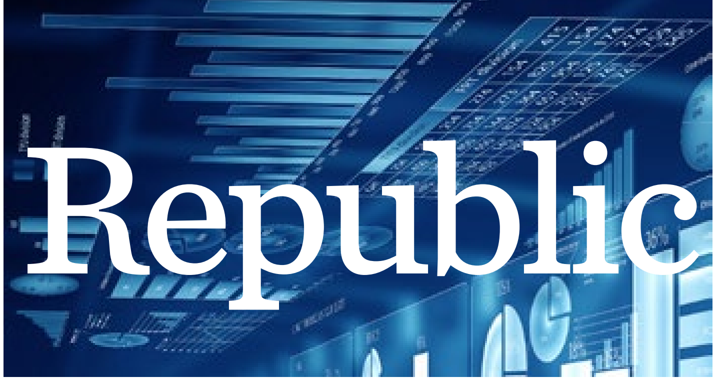


Republic Economic NEWSLETTER
September 2025 | Vol.33, No.4 | ISSN 1027-5215

# Muted Momentum Persists

## OVERVIEW

Activity in the domestic economy remained subdued in the second quarter of 2025, with persistent challenges in the energy sector and lackluster non-energy sector activity. Oil and gas production softened further, with uneven downstream output and lower energy prices constraining the sector's growth. In the non-energy sector, cement sales declined, and new motor vehicle sales remained below 2024 levels, suggesting that the slowdown, which was evident in early 2025, likely continued into the second quarter. Labour market conditions also appeared to weaken, as layoffs in state-run programmes such as the Unemployment Relief Programme (URP) and the Community-based Environmental Protection and Enhancement Programme (CEPEP) likely placed upward pressure on the unemployment rate, which had fallen to 4.9 percent in the previous quarter. Against this backdrop, Republic Bank Limited estimates that the domestic economy contracted by 1.0 percent in the second quarter of 2025 compared to the previous quarter. The subdued performance was also reflected in the domestic equity market, with the Composite Price Index falling by 1.9 percent quarter-on-quarter and 9.4 percent year-on-year.

### TRINIDAD AND TOBAGO
### KEY ECONOMIC INDICATORS

| INDICATOR | 2024 | 2024.2 | 2025.2 p/e |
|---|---|---|---|
| Real GDP (% change) | 1.4 | -1.4 | -1.0 |
| Retail Prices (% change) | 0.5 | -0.3 | 0.3 |
| Unemployment Rate (%) | 5.0 | 4.9 | 5.1 |
| Fiscal Surplus/Deficit (TT$-Mn.) | -9,624.0 | -3,134.7 | -1,251.9 |
| Bank Deposits (% change) | 3.5 | -0.3 | 0.5 |
| Private Sector Bank Credit (% change) | 8.8 | 1.5 | 2.0 |
| Net Foreign Reserves (US$-Mn.) | 5,604.3 | 5,983.2 | 5,904.2 |
| Exchange Rate (TT$/US$) | 6.72/6.78 | 6.72/6.78 | 6.72/6.78 |
| Stock Market Comp. Price Index | 1,118.5 | 1,149.3 | 1,041.2 |
| Oil Price (WTI) (US$ per barrel) | 76.55 | 81.7 | 64.71 |
| Gas Price (Henry Hub) (US$ per mmBtu) | 2.19 | 2.09 | 3.19 |

**Source: - Central Bank of Trinidad and Tobago, TTSE, Energy Information Administration**
**p - Provisional data**
**e - Republic Bank Limited estimate**
*** - Estimate based on CBTT's Index of Economic Activity**

## ENERGY SECTOR

The domestic energy sector continued to struggle in the second quarter of 2025, as weak production and lower prices continued to weigh on performance. Based on available data, crude oil production averaged 51,489 barrels per day (b/d) in April, broadly unchanged from the previous quarter and up just 0.3 percent year-on-year (y-o-y). Natural gas production, however, declined by 2.2 percent y-o-y to 2,414 million standard cubic feet per day (mmscf/d) and was also 2.9 percent below the average of first quarter 2025. In the downstream sector, performance was mixed, with liquefied natural gas (LNG) and ammonia output increasing by 8.9 percent and 6.9 percent y-o-y, respectively, while methanol output fell sharply by 28.1 percent. Exploration activity also softened, as total rig days and depth drilled contracted by 35.6 percent and 20.5 percent y-o-y, respectively.

International energy prices also offered little relief. West Texas Intermediate (WTI) crude prices averaged US$64.71 per barrel, down 9.9 percent quarter-on-quarter (q-o-q) and 20.8 percent y-o-y. Henry Hub natural gas prices averaged US$3.19 per million British thermal units (mmBtu), reflecting a steep 23.2 percent q-o-q decline and a notable 52.7 percent y-o-y increase. The combination of weak output and reduced prices likely constrained the sector's foreign exchange earnings and government revenue during the period.

On a more positive note, in August, ExxonMobil signed a Production Sharing Contract for the Ultra Deepwater block (UD-1), marking its re-entry into Trinidad and Tobago after two decades. Additionally, on September 30th, the Government announced that, after talks between Prime Minister Kamla Persad-Bissessar and US Secretary of State Marco Rubio, the US reversed its decision to revoke the Office of Foreign Assets Control (OFAC) licence for the Dragon gas field. The announcement, which came five months after the licence was revoked in April, reopens the door for Trinidad and Tobago to enter negotiations with Venezuela to access the cross-border gas reserves. Unfortunately, the 2025 Deep-Water Competitive Bidding Round, the largest in the country's history, delivered underwhelming results, as only four bids were received out of the 26 blocks offered. This outcome highlights the sector's ongoing challenges to attract new upstream investment.

On the renewable front, the Brechin Castle Solar Project, a joint venture between the Government, bp, and Shell, delivered its first electrons to the national grid in July 2025. The plant is expected to reach full capacity by year-end, providing approximately 8 percent of the country's electricity needs. Once commissioned, it will be the largest utility-scale solar facility in CARICOM, supplying electricity to 31,500 homes annually and reducing greenhouse gas emissions by an estimated 123,000 tonnes per year.

## NON-ENERGY SECTOR

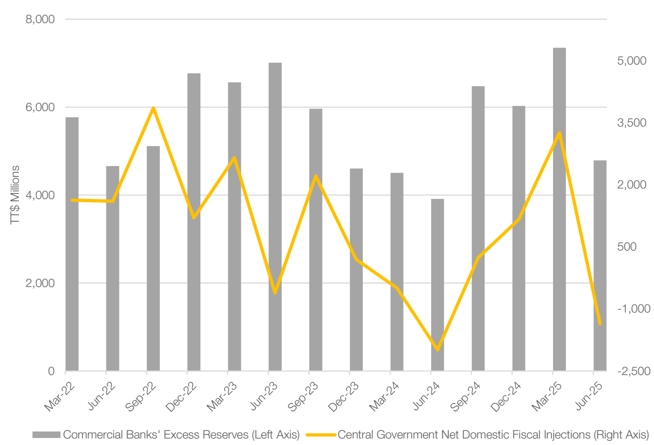
Non-energy sector activity softened in the second quarter of 2025, led by weaker performances in both construction and trade and repairs. Domestic cement sales fell by 2.2 percent q-o-q and 15.4 percent y-o-y, reversing the modest gains recorded in the previous quarter. This decline is consistent with the typical post-election lull in public sector construction activity, as infrastructure projects are often temporarily delayed during the transition to a new government. Activity in the trade and repairs sector was also subdued, with new motor vehicle sales, a commonly used proxy for at least a portion of the activity in the sector, increasing slightly by 3.2 percent q-o-q but still down 6.8 percent y-o-y. The overall y-o-y decline points to a sector still struggling to regain momentum.

## MONETARY POLICY

Domestically, the Central Bank maintained the repo rate at 3.5 percent in its September 2025 Monetary Policy Announcement. However, the Central Bank Governor recently signalled that interest rates may need to rise to address persistent foreign exchange shortages and the negative U.S-TT interest rate differential, which stood at -175 basis points in August 2025. Such a move would be a shift from the accommodative stance of recent years, coming at a time when inflationary pressures and liquidity constraints are intensifying. The average prime lending rate also remained unchanged at 7.57 percent.

Liquidity conditions tightened notably in the second quarter of 2025. Commercial banks' average excess reserves fell to $4,789.4 million at the end of June, down 34.8 percent from the previous quarter, though still 22.4 percent above June 2024 levels (Figure 1). By August, reserves slipped even further to $4,204.1 million. The decline was partly due to changes in government financing operations, with a net fiscal withdrawal of $1,360.0 million in the second quarter of 2025, coming on the heels of a net fiscal injection of $3,256.3 million in the previous quarter. If liquidity continues to fall, it can reduce the financial sector's capacity to provide loans and place upward pressure on domestic interest rates.

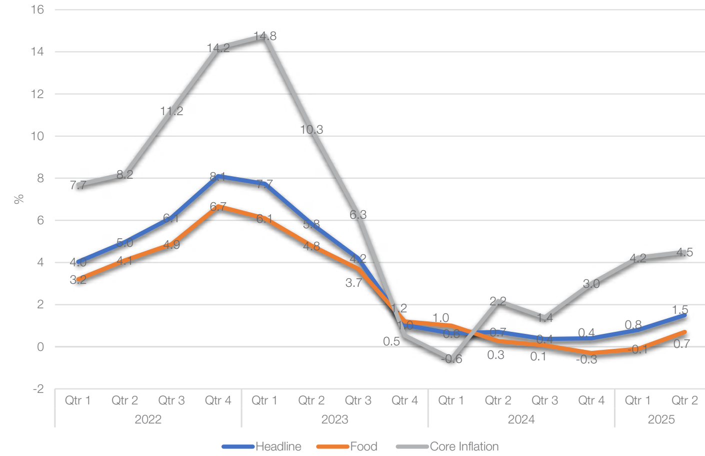
**Figure 1: Commercial Banks' Excess Reserves and NDFI**




**Source: CBTT**

Inflationary pressures also increased during the period. Headline inflation averaged 1.5 percent, up from 0.8 percent in the previous quarter and 0.7 percent a year earlier. The increase was broad-based, with food prices increasing by 4.5 percent from 4.2 percent in the previous quarter and 2.2 percent a year earlier. Core inflation accelerated to 0.7 percent after a mild contraction of 0.1 percent in the first quarter (Figure 2). This pickup may be partly reflective of the recent increase in global tariffs, which may have caused an increase in imported inflation. As the effects of the tariffs continue to filter through, price pressures are likely to increase in the coming months.

**Figure 2: Headline, Food and Core Inflation (%)**




**Source: CBTT**

Despite the tight liquidity backdrop, private sector credit continued to expand in the second quarter of 2025, growing by 2.0 percent q-o-q and 10.1 percent y-o-y. Business lending recorded the strongest expansion, rising by 4.1 percent q-o-q and 13.9 percent y-o-y, while consumer credit expanded by 0.9 percent q-o-q and 11.1 percent y-o-y. The demand for real estate loans also remained solid, expanding by 1.1 percent q-o-q and 6.6 percent y-o-y. While private sector credit remains resilient, continued liquidity challenges could temper the pace of growth in the quarters ahead.

## FISCAL

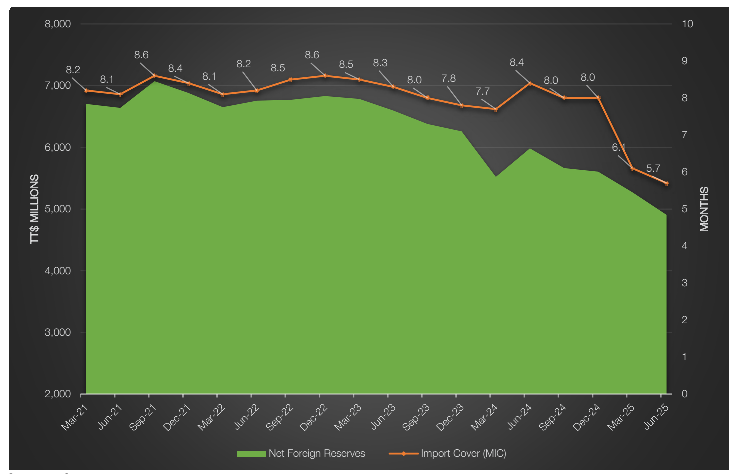
In the second quarter of 2025, the Government registered an overall deficit of $1,251.9 million, a marked improvement from the $4,007 million deficit recorded in the previous quarter and the $3,134.7 million deficit in the corresponding period of 2024. The smaller shortfall was due to an increase in revenue and a fall in government expenditure. Non-energy revenue expanded by 19.4 percent y-o-y to $8,746.6 million, while energy revenue rose by 6.7 percent y-o-y to $3,741.6 million. On the expenditure side, total spending amounted to $13,740.8 million, a 2.5 percent decline y-o-y, with current spending accounting for the bulk of total expenditure as capital spending was relatively contained. Fiscal pressures are expected to persist, with the new Government indicating that it expects to run a deficit in the 2025/2026 fiscal year.

These fiscal pressures have also drawn the attention of international credit ratings agencies. On September 25th, S&P Global Ratings revised the country's outlook to negative from stable, while affirming its 'BBB-/A-3' rating, the lowest rung of investment grade. The revision cited weakening government finances, declining energy output, and sluggish growth. While Trinidad and Tobago remains the only CARICOM country with an investment grade rating, the revision signals an increased risk of a downgrade over the next six to 24 months, unless fiscal buffers are strengthened and economic diversification accelerated.

## FOREIGN RESERVES

Conditions in the foreign exchange market remained tight in the second quarter of 2025, reflecting subdued energy revenues, the economy's primary source of foreign currency. Net official reserves declined by 7.0 percent over the quarter to US$4,904.5 million, with import cover slipping to 5.7 months, from 6.1 months at the end of March and 8.4 months a year earlier. More recent data showed net official reserves falling further to US$4,610.2 million (5.4 months of import cover) in August 2025, the lowest level since 2006. Market activity also pointed to reduced forex availability as net sales of foreign currency by authorised dealers fell by 15.9 percent q-o-q and 18.9 percent y-o-y. Despite these pressures, the exchange rate held steady at TT$6.78 per US$1.

**Figure 3: Net Official Reserves and Import Cover**




**Source: CBTT**

## OUTLOOK

The domestic economy is expected to remain subdued in the coming months. In the energy sector, oil and natural gas production remains weak, with no new major projects expected in the short term. While ExxonMobil's re-entry, the recent deep-water bid round and the receipt of the Dragon OFAC licence offer some promise, the related boost to domestic energy production is not expected for quite some time. Non-energy activity, however, may recover modestly in the second half of the year due to the usual seasonal boost in the fourth quarter and as public infrastructure projects restart following the election-related pause, offering some support to the construction subsector. At the same time, tighter foreign reserves may constrain imports and squeeze other industries. Inflationary pressures are also likely to build as recent protectionist trade policies filter through to the domestic economy. Overall, near-term growth prospects remain challenged, with any improvements hinging primarily on the performance of the non-energy sector.

# The Tale of Moderate and Uneven Growth Continues

## Overview

In the second quarter of 2025, the performances of the region's tourism destinations were mixed with Barbados, Dominica, Sint Maarten and St. Vincent and the Grenadines (SVG) registering robust growth in visitor arrivals, while others including the Cayman Islands, St. Lucia, and St. Kitts and Nevis experienced declines. Among the commodity-exporting economies, Guyana and Suriname continue to benefit from key developments in energy. While Guyana's oil sector continues to boom, Suriname has been benefitting from investments directed to bring major discoveries to market. The region also continues to benefit from ongoing infrastructure projects, with others expected to be launched shortly, including planned deep-water port facilities in St. Kitts and Nevis and hotel developments across SVG and other islands. The Caribbean faced significant headwinds in the second quarter of 2025, including elevated global uncertainty related to increased trade protectionism, geopolitical tensions and policy changes by governments and central banks. In September, the US sent some of its naval vessels to the southern Caribbean to deter drug trafficking, identifying Venezuela as a major port from which vessels carrying illegal drugs are launched. This intensified US-Venezuela tensions as well as Guyana-Venezuela tensions. The Bolivarian nation claims that it is being unfairly targeted and the US administration was not being honest, as its true motives for the deployment have very little to do with the drug trade and more to do with imperialism.

## Anguilla

In the second quarter of this year, long-stay arrivals and excursionists increased by 4.6 percent year-on-year (y-o-y) and 9.6 percent y-o-y, respectively. During the period, the US remained the top source market, contributing 74 percent (22,686 visitors) of total long-stay arrivals. As the winter season approaches, Anguilla is poised to benefit from the launch of BermudAir's new direct flights from Boston and Baltimore. Scheduled to commence on December 19, 2025, this new service is seen by the island's tourism officials as a critical step to support the industry's sustainable growth. The introduction of these additional flights is expected to enhance connectivity to the destination. Anguilla continues to benefit from surging revenue related to the use of its .ai domain by companies, worldwide. In 2024 the revenue from this source reached a staggering $105 million, nearly a quarter of Anguilla's total revenue. This income is helping to fund critical infrastructure improvements. This surge in revenue now rivals the country's tourism sector which contributes about 37 percent of Anguilla's GDP. The IMF projects continued growth in the coming years, with revenues expected to climb to EC$132 million in 2025 and further to EC$138 million in 2026, solidifying Anguilla's position as a surprising player in the global AI arena.

## Barbados

During the first six months of 2025, the number of stay-over visitors rose by 3.3 percent compared to the same period in 2024. The US (33.3 percent) and UK (33.2 percent) remained the two top source markets in the first half of 2025, with visitors from the US recording the largest increase (9.8 percent), while arrivals from the UK contracted by 3.7 percent. The number of visitors from CARICOM increased by 3.6 percent for the same period. Barbados' efforts to develop the micro, small and medium-sized enterprises (MSMEs) sector is being supported by a $50 million Inter-American Development Bank (IDB) loan to improve MSME access to financing. With 188 businesses expected to benefit, the loan will provide guarantees, allowing MSMEs to invest in property and technology. Furthermore, it will target female-owned businesses, exporters and companies investing in renewable energy and climate resilience. In June of this year, the International Monetary Fund (IMF) concluded its fifth and final review of Barbados' Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF). Following this review, the IMF approved a disbursement of US$58 million, comprising of US$19 million under the EFF arrangement and US$39 million under the RSF arrangement. The IMF projected continued growth of 2.7 percent in 2025, albeit cautioning that external uncertainties in the global economy and the island's vulnerability to natural disasters could pose risks to this positive outlook.

## British Virgin Islands (BVI)

During the April to June 2025 period, stop-over visitors fell slightly by 0.7 percent y-o-y, while cruise arrivals grew by 25.2 percent. From the end of summer into the final days of autumn, activity in the tourism sector tends to slow for most Caribbean destinations. However, the BVI is trying to capitalise on this slow period by offering reduced room rates and other incentives.

Looking at the political landscape, the BVI faces moderate political risks mainly related to the possibility of a move by the UK government to exercise greater control over the jurisdiction if governance reforms fail. However, it is believed that the threat of UK intervention is likely to keep the government committed to implementing the required reforms. The government has a working majority but recently survived a vote of no confidence in August 2025. Following this scare, the government is pressing on with the reform agenda to address the issues highlighted in the 2022 Commission of Inquiry report. Aligned with a 2025 UN report advocating for BVI independence, the current administration is aiming for more autonomy for the country but progress will likely be gradual.

## Cayman Islands

The tourism sector struggled in the second quarter of 2025 as both stopover arrivals and the number of cruise passengers contracted by 1.5 percent and 22 percent, respectively. Over the April to June 2025 period, the US continued to provide the bulk of long-stay visitors (84 percent) with growth of 4 percent. The Canadian source market accounted for only 6.5 percent of the total visitors and registered 5 percent growth. The Cayman Islands are expected to benefit from increased airlift in the upcoming winter season, with Spirit Airlines set to introduce non-stop flights from Fort Lauderdale, Florida, to the Grand Cayman from December 4, 2025. Moreover, the Canadian airline, Porter Airlines, is preparing to launch two brand-new, non-stop services to the Cayman Islands, which includes the very first direct flight service between Ottawa and the Grand Cayman. The direct Ottawa service will operate once a week and will commence on December 19, 2025. The airline will also operate flights three times weekly between Toronto Pearson International Airport and Owen Roberts International Airport in Grand Cayman, beginning on December 16, 2025. In the MSME sector, the Caribbean Development Bank (CDB) provided US$80,000 to the Cayman Islands Centre for Business Development (CICBD) to help small businesses grow. This aims to improve business support, diversify the economy, foster inclusive economic participation and support long-term growth. The initiative will also focus on empowering women, young people and entrepreneurs in non-traditional industries, while also boosting business confidence and investment.

## Cuba

During the first six months of this year, long-stay arrivals declined by 25 percent y-o-y. Among the main source markets, visitors from Europe posted the largest decline (41.5 percent), while arrivals from Canada and the US contracted by 25.9 percent and 19.4 percent, respectively. Apart from tourism, the agriculture, industrial and construction sectors may face further challenges in the near term. The lack of foreign currency limits access to essential farming supplies, hurting sugar exports and food production. Government reforms haven't improved productivity due to price controls, quotas, currency issues, lack of credit, and late payments, which discourage farmers and promote illegal activity. According to official statistics, the industrial sector represented 17.2 percent of the nation's GDP in 2024. This sector is primarily composed of manufacturing and nickel mining, but nickel production has remained stagnant since 2019, while manufacturing output has declined. The sector is anticipated to encounter ongoing difficulties, primarily due to a shortage of critical resources and restricted access to global markets as a consequence of sanctions imposed by the US. The outlook for the construction sector is also not very encouraging, due to the inability to access sufficient quantities of key imports and the government's fiscal consolidation measures, which are expected to reduce public investment in projects. Investment in construction related to tourism is also forecasted to decline, due to low hotel occupancy rates and the industry's slow recovery following the pandemic.

In response to these challenges, Cuba continues its efforts to strengthen existing economic ties with its trading partners and to establish new ones to help revive its economy. It established Baracocoa S.A., a joint venture between the state enterprise Alimentos y Bebidas S.A. (Alimcor) and Proxenta A.S., a Slovakian company, to enhance chocolate manufacturing in Baracoa. The organisation intends to process 7,000 metric tonnes of cocoa beans to meet both national requirements and international distribution targets. This endeavour seeks to reinforce regional agricultural operations and foster the continued advancement of local growers. On July 5, 2025, the United Arab Emirates (UAE) and Cuba convened the first meeting of their Joint Economic Committee in Dubai, with the objective of reinforcing collaborative efforts in sectors including biotechnology, renewable energy, tourism, agriculture, and healthcare services. The session concluded with a mutual commitment to develop a collaborative framework for the execution of resolutions and the encouragement of investment, commerce, and the expansion of small and medium-sized enterprises. To help alleviate the pressures of US sanctions, Cuba’s Ministry of Foreign Trade and Foreign Investment incorporated Cuban banking institutions into the Cross-Border Interbank Payment System (CIPS) of China. This system serves as an alternative to SWIFT, enabling international financial transactions to be conducted in yuan.

## Dominica

During the second quarter of the year, both long-stay arrivals and cruise passengers increased by 4.6 percent and 45.3 percent, respectively. However, the number of excursionists contracted by 45.7 percent. The industry is set to receive a boost, with the country recently securing agreements with various airlines that are expected to result in increased airlift. Caribbean Airlines introduced new direct flights connecting San Juan, Puerto Rico and Dominica, thereby improving regional connectivity within the Eastern Caribbean. The service began on August 15, 2025 and will operate for the remainder of this year. The Dominica Hotel and Tourism Association (DHTA) announced an additional service from United Airlines which is scheduled to begin on October 29, 2025. The airline will increase its direct flights to Dominica from Newark Liberty International Airport (EWR). This new service will supplement the airline's current Saturday service, which was initiated in February 2025.

## Grenada

In the April-June 2025 period, there was a 1.4 percent y-o-y decrease in long-stay visitor arrivals and a 54.3 percent contraction in yacht visitors. In contrast, the cruise sector experienced a 15.7 percent increase in passenger arrivals. On September 5, 2025, Grenada welcomed the Carnival Conquest, signalling the opening of the 2025-2026 cruise season. The Carnival Conquest arrived carrying 2,615 passengers. Regarding government's fiscal operations, the Ministry of Finance recently shared data showing a noticeable decrease in the government's income during the first six months of 2025. Compared to the same period in the previous year, revenue from taxes and grants fell by EC$112.6 million. A closer look revealed that the main reasons for the decline were falls in property tax collections and non-tax revenue sources. Within the non-tax revenue category, the Citizenship by Investment (CBI) programme registered a significant drop in revenue. However, the Ministry of Finance indicated that this decrease was largely due to the unusually high revenues collected in 2024. The surge in 2024 was due to a large number of CBI applications that were still being processed at the beginning of 2025, which created a rare boost in revenue.

## Guyana

The outlook for Guyana's energy sector is quite promising, with ExxonMobil currently extracting in excess of 700,000 barrels of oil per day from its resource-rich Stabroek block. Output is set to rise appreciably as the company recently commenced operations in the Yellowtail field (part of the Stabroek block) with the utilisation of the One Guyana Floating Production Storage and Offloading (FPSO) vessel. Plans are also underway to secure additional production facilities. Smit Lamnalco, a services provider based in the Netherlands, secured a multi-year contract with ExxonMobil for the provision of offshore terminal support services. The contract includes the deployment of four newly constructed vessels for operations within the Stabroek block offshore Guyana. The financial terms of the agreement remain undisclosed, but the first vessel is expected to be delivered by early 2028, with subsequent deliveries occurring on a quarterly basis thereafter.

Amid increasing tensions with neighboring Venezuela, the US recently deployed fighter aircrafts to Guyana in an attempt to increase its military presence in the rapidly expanding offshore oil region. Venezuela has restated its claims to the Essequibo region and has conducted military exercises close to the border, issuing threats to suspend oil projects. Although the energy sector is currently the main contributor to growth for Guyana, there are some positive developments in tourism. The hosting of matches for the Republic Bank Caribbean Premier League (CPL) tournament resulted in complete bookings for tour operators in Guyana. It also provided significant stimulus for other sectors, including retail and the creative industry.

## St. Kitts and Nevis

In the second quarter of 2025, the performance of the tourism sector was mixed. Long-stay arrivals contracted by 8.6 percent y-o-y while the number of cruise passengers increased by 10.8 percent y-o-y. For the second quarter of 2025, excursionists contracted by 30 percent but on a positive note, yacht arrivals grew by 23.2 percent.

Nigeria-based Gemini Integrated Commodities secured a US$40 million agreement with the Dr. Terrance Drew led government, to construct a deep-water Panamax-class port and a 10-square-kilometre special economic zone in Basseterre, St. Kitts. This agreement is supported by Afreximbank and is expected to provide a long-term boost to the economy, as well as support increased trade between West Africa and the Caribbean. The project is expected to create 600 direct jobs during the construction phase and is projected to attract up to US$300 million in supplementary private investment. The Caribbean nation is also pushing ahead with efforts to diversify its economy. On August 11, 2025, St. Kitts and Nevis enacted the Special Sustainability Zone Authorisation (Amendment) Bill, which establishes specified zones where developers are required to comply with rigorous standards pertaining to sustainability, climate resilience and infrastructure. The bill also serves to encourage responsible foreign investment, while simultaneously prioritising national interests. Among the sectors targeted are renewable energy, agribusiness, health, education and green manufacturing.

## St. Lucia

St. Lucia's tourism sector struggled in the second quarter of 2025 as long-stay arrivals, the number of cruise passengers and yacht visitors contracted by 5.1 percent, 28.7 percent and 0.3 percent, respectively. During the period, arrivals from the US represented 63.7 percent of total long-stay arrivals but grew by a feeble 0.4 percent. Meanwhile, arrivals from Canada and the UK contracted by 18.8 percent and 22.6 percent, respectively in the second quarter of 2025. In other tourism developments, the St. Lucia Tourism Authority's (SLTA) drive to encourage more Canadian tourists to visit the destination, will be supported by WestJet's decision to expand its winter service on the Canada-St. Lucia airbridge. Starting in October, the airline will introduce three weekly flights to St. Lucia.

The country signed a Memorandum of Understanding (MoU) with Nigeria to facilitate collaborative efforts in tourism development, investment promotion and the progression of cultural and creative sectors. Regarding tourism development, St. Lucia will assist Nigeria in formulating a Community Tourism Programme and will conduct hospitality worker training initiatives. In the field of culture and creative industries, Nigeria will share its legislative framework for the creative economy and lend support through cultural events such as the St. Lucia Carnival and the Jazz & Arts Festival. Turning to fiscal policy, the government is working to reduce the cost of living for its citizens. Effective August 1, 2025, the government removed Value Added Tax (VAT) on seventy food items. This initiative aims to provide relief to households that are still experiencing financial challenges due to the dislocations caused by the COVID-19 pandemic. Nevertheless, citizens expressed concerns regarding potential price increases on goods that were not included in the seventy-item list, as well as on products that were not covered under the policy.

## St. Vincent and the Grenadines

Between April and June 2025, St. Vincent and the Grenadines recorded a 17.3 percent increase in long-stay arrivals, powered by robust performances in most major markets. During the quarter, arrivals from the US, Canada, the UK and the Caribbean expanded by 16.2 percent, 47.6 percent, 33.2 percent and 10.6 percent, respectively. The largest source market, the US, accounted for 46.6 percent of all long-stay visitors. The performance in the cruise ship sub-sector also expanded appreciably, with the 20,265 arrivals tripling the outturn recorded during the same period in 2024. In September 2025, Minister of Finance, Camillo Gonsalves, announced that the sector is expected to benefit from two major investments, totalling $1.3 billion. These ventures are the Marriott Resort and Sandals Beaches Resort, which are anticipated to support economic growth and generate 2,000 jobs. The signing and sod turning ceremonies for both projects are scheduled to take place by early October of this year. The government is also seeking to revive its previously suspended geothermal energy initiative, by exploring the available technological solutions. The project stalled in 2020 when it encountered rock formations that were too dense to make geothermal extraction economically viable. Being one of the four CARICOM member states to agree to the full free movement of their citizens among the four countries, SVG is likely to experience some long-term benefits, when the arrangement is implemented on October 1, 2025. This initiative will help to boost regional integration under the CARICOM Single Market and Economy (CSME) and facilitate the unrestricted movement of skilled labour. As a result, qualified professionals from SVG will be able to pursue employment opportunities in any of the three other countries (Barbados, Belize, Dominica) without work permits.

## Sint Maarten

According to Sint Maarten's Department of Statistics, the country recorded 209,876 air passenger arrivals (excluding residents, transit passengers, and transfer passengers) in the second quarter of 2025. This represented a 16.9 percent increase from the figure recorded in the same period in 2024. The cruise sector also recorded robust growth, with the total number of tourists arriving by this mode increasing by 14 percent to 236,391. The country's construction sector continues to expand, growing in value from 30 million Caribbean Guilders in 2014 to 74.3 million in 2023, representing a 147 percent increase over the course of nine years. However, much of this growth was due to recovery activity after the country was hit by Hurricane Irma in 2017. The sector now ranks as the second largest contributor to GDP, after accommodation and food services.

## Suriname

As the country prepares for first oil from Block 58 in 2028, work to develop other acreages continues apace. In June, TotalEnergies signed an agreement to acquire 25 percent interest in Block 53 which is situated offshore Suriname. TotalEnergies joins APA (45 percent, operator) and Petronas (30 percent) as a partner in the licence. Block 53 is located adjacent to Block 58, where TotalEnergies possesses a 40 percent interest and serves as the operator for the GranMorgu development. In addition, Petronas plans to drill four new oil wells starting later in 2025, which could potentially lead to increased production. Petronas operates in eight blocks off the coast of Suriname and is a key player in the domestic energy sector, with interest in Block 52 where gas was recently discovered. Staatsolie, the state-owned oil company and regulator, announced its intension to launch a new offshore licencing round on November 24, 2025. Suriname's attractiveness as a high potential oil and gas province is reflected in the number of major global companies currently undertaking or planning exploration operations in the South American country. This includes Shell, Petronas, Chevron and TotalEnergies. Approximately 50 percent of Suriname's acreage is already under contract but the available areas up for bid in the forthcoming licencing round are predominantly situated in the northwestern region of the Guyana-Suriname basin. For the upcoming licencing round, companies can either choose a joint study agreement/technical evaluation agreement (JSA/TEA) or a production sharing contract (PSC). The gold sector is expected to receive a boost as massive gold reserves were discovered in the Maria Geralda region of southeastern Suriname. Founders Metals Inc., a Canadian corporation, made the discovery, with exploratory drilling operations revealing an intersection of 22.5 metres exhibiting a gold concentration of 11.88 grams per tonne, a figure that exceeds established industry benchmarks. This development has the potential to generate substantial economic benefits for Suriname, where the mining and petroleum sectors currently contribute approximately 60 percent of the nation's GDP and 90 percent of its export earnings.

## Region

The Planning Institute of Jamaica (PIOJ) reported that the Jamaican economy experienced growth of 1.4 percent during the second quarter of 2025. This expansion was primarily driven by a 3.8 percent increase in the goods producing industry, coupled with a 0.5 percent increase in the services industry. Notably, the agriculture sector registered a substantial recovery, growing by 9.8 percent, while the construction sector expanded by 1.6 percent, spurred by enhanced cement availability and key housing projects by the National Housing Trust (NHT). The manufacturing sector expanded by 1.4 percent.

According to the IMF, Belize's economy posted a robust recovery following the impact of the COVID-19 pandemic, growing by 8.1 percent in 2024. This expansion was largely attributable to upbeat performances in tourism, commerce, and transportation. Poverty is on the decline and the nation's public debt to GDP also fell from 103 percent in 2020 to 61 percent in 2024. Nevertheless, the IMF projects a deceleration of economic activity in 2025 to 1.5 percent, primarily due to an anticipated decline in tourist arrivals and existing challenges within the agricultural sector.

Haiti recently started a project with Columbia, in an effort to strengthen its agriculture sector. On July 7, 2025, Colombia received an eighteen-member Haitian delegation, composed of officials and agricultural producers, in Bogotá to commence the project entitled "Exchange of Experiences on Good Agricultural Practices for Food Security." This initiative is designed to reinforce Haiti's agricultural sector via the transmission of technical expertise and the promotion of sustainable seed development. The project will cover academic seminars and technical site visits, with a specific emphasis on coffee cultivation, pest management and agroclimatic observation.

## Outlook

The region is likely to experience moderate but uneven growth in the second half of 2025, with energy-producing nations expected to outperform tourism-dependent economies. While geopolitical tensions, particularly Venezuela's dispute with Guyana and friction with the US, have generated a fair amount of anxiety, they are not envisaged to cause significant regional instability or substantially impact investor confidence. Nevertheless, such tensions present substantial downside risks. For tourism-dependent nations, the traditional seasonal slowdown in tourism from September through November may place a slight damper on growth but activity is expected to accelerate as the normally busy winter season approaches. The level of growth experienced by the tourism economies during the period will partly hinge on the effectiveness of new airlift services in boosting winter arrivals.



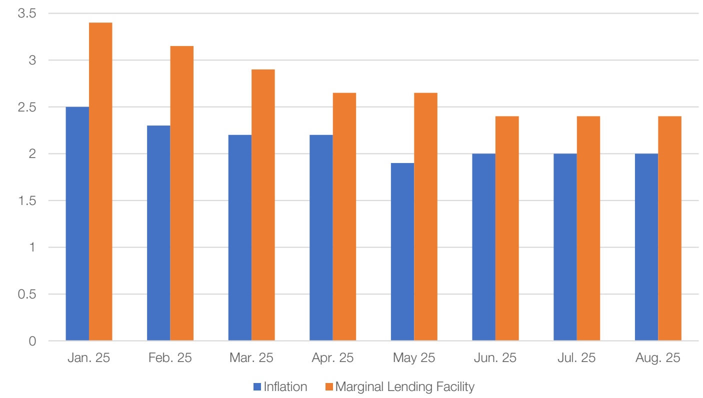
**The Economist**
**Republic Bank Limited, P.O. Box 1153, Head Office, 9-17 Park Street, Port of Spain, Trinidad and Tobago**
**Tel: 868-625-3617.**
Read this newsletter on our website at **www.republictt.com**
To request an email version, unsubscribe or change recipient, email **kelly.parris@rfhl.com**
Include your email address, name and institution.
Acrobat Reader required for email version.

# All Eyes on the Fed

Before cutting its benchmark rates to the 4 – 4.25 percent range in September 2025, the US Federal Reserve's (Fed) previous policy rate reduction was in December 2024. In the period between the two decreases, the Fed opted to leave the rates unchanged at 4.25 – 4.5 percent, primarily due to high global economic uncertainty and stubborn inflationary pressures. The country's decision to implement widespread tariffs in April 2025 contributed substantially to the uncertainty. In June, Chairman of the Fed, Jerome Powell, asserted that the Central Bank was waiting for additional information on how US tariffs would affect the economy before adjusting the rates. It goes without saying, that this wait-and-see approach did not sit well with President Donald Trump, who advocated for reduced rates well before the tariff announcement, citing the potential for lower rates to boost economic growth. The White House's displeasure with what it viewed as an overly cautious approach by the Fed, prompted speculation in some quarters, that the President could move to have the head of the Fed replaced. For his part, in July, Mr. Trump indicated that he did not view such a move as necessary at the time.

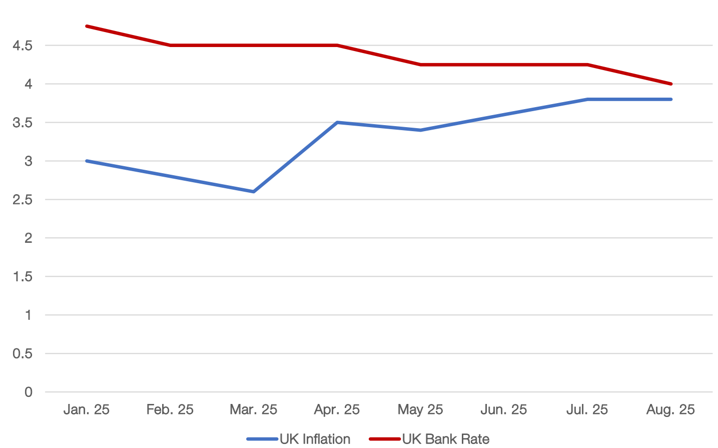
Unlike the Fed, the Bank of England (BOE) and the European Central Bank (ECB), reduced their policy rates several times during the first eight months of 2025. The ECB's most recent decrease came in June and was preceded by three others (Figure 1). Its benchmark rates are now within the 2 – 2.4 percent range, down from 3 – 3.4 percent in December 2024. In September, the ECB held rates at the 2 – 2.4 percent range for the third consecutive month, with Eurozone inflation at the targeted 2 percent rate. The ECB also cited continued global economic uncertainty, including the yet unknown full impact of US tariffs on Eurozone GDP, among the main reasons for its decision. The BOE executed three rate reductions thus far in 2025, with the latest coming in August, taking its main interest rate to 4 percent (Figure 2) from 5 percent in December 2024. The BOE decided to cut rates in August, notwithstanding a projected rise in inflation to 4 percent in September, well above its 2 percent target. The decision was taken, considering the struggling economy and fears of further weakening of the job market. After rising to 4.7 percent in May, unemployment remained at that level in the succeeding two months. The unemployment rate was 4.4 percent at the end of 2024.

**Figure 1: Eurozone Inflation & ECB MLF (Upper Bound Policy Rate)**




**Source: European Commission**

**Figure 2: UK Inflation & BOE Bank Rate**

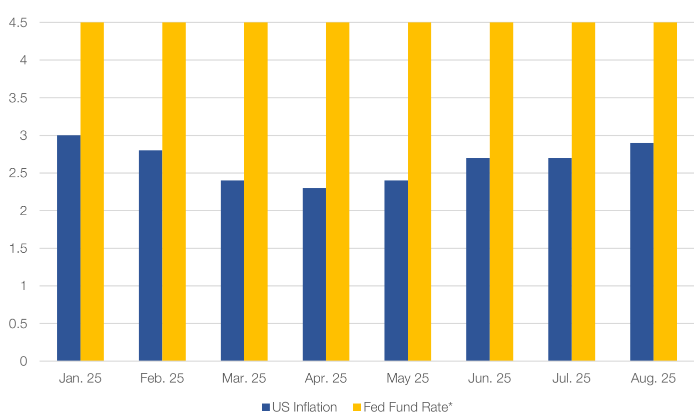



**Source: UK – ONS, BOE**

The Fed's latest rate cut comes after months of pressure from government officials and in response to signs of a stalling job market, notwithstanding still low unemployment. In June 2025 the US economy lost 13,000 jobs, the first decline in more than three years. This was followed by gains of 79,000 in July and a significantly weaker 22,000 in August. In his statement, Mr. Powell indicated that while unemployment is low, there are downside risks confronting the labour market. In August, unemployment rose slightly to 4.3 percent from 4.2 percent a month earlier, suggesting that activity may be slowing in the economy. Nevertheless, with unemployment below 5 percent, the economy is considered to be in a state of full employment, where joblessness is typically frictional or structural.

The Fed's September policy announcement was the first time in months where concerns about the labour market superseded inflation fears. Ironically, this came just days after it was confirmed that the rate of inflation increased to 2.9 percent in August (Figure 3), which was the fastest acceleration since January. Inflation is also still above the Fed's 2 percent target. Moreover, forward guidance from the Central Bank suggests that its benchmark rates may be cut by a further 50 basis point in the fourth quarter of 2025 to 3.5 – 3.75 percent.

**Figure 3: US Inflation & Fed Fund Rate (Upper Bound)**




**Source: US – BLS, FRED**

Beyond US consumers and investors, changes in US interest rates can have significant impact on the global economy. For this reason, policy actions and announcements by the Fed are closely monitored by individuals and organisations the world over, with global investors, policy makers and central banks keen to ensure that their decisions are sufficiently guided by developments in the US economy.

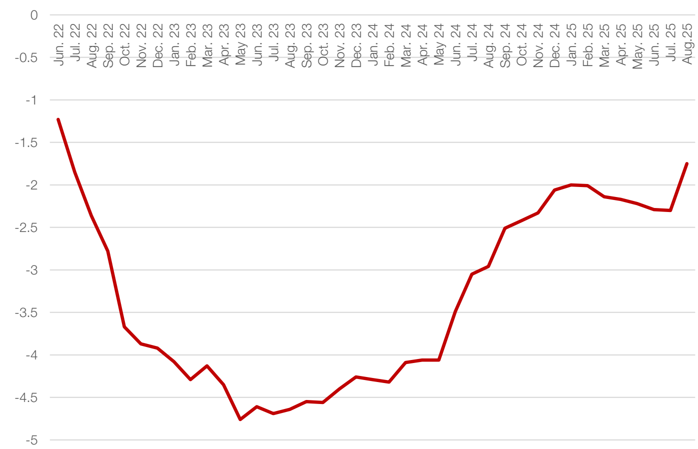
For instance, a cut in US interest rates could provide a boost for emerging and developing economies because a sizeable portion of their debt is normally in dollars. This essentially reduces the cost of their foreign debt, allowing the respective governments to direct finances, that would otherwise have gone toward debt servicing, to investments that could benefit their economies. In this regard, economic growth in those countries could be more robust than it would otherwise have been. Sadly, many developing countries' external debt stock is at or near crisis levels and in this regard, any relief would be welcomed. Data from the United Nations Conference on Trade and Development (UNCTAD) indicates that in 2023 the external debt of developing countries hit a record US$11.4 trillion, equivalent to 99 percent of their export revenue. According to UNCTAD, the associated high interest payments have been applying significant pressure on the affected countries' fiscal accounts, forcing governments to choose between paying debt or funding essential government services and projects. The need to prioritise debt servicing over social programmes and public sector investment can impose very harsh consequences on a nation's citizens and economy. While many countries would need debt restructure and write-offs to bring their debt portfolios to sustainable levels, a notable fall in the cost of debt could prove quite beneficial to others. In this regard, the Fed's September rate cut would likely be viewed as at least a step in the right direction for such nations.

Rising US interest rates tend to push up the value of the dollar relative to other currencies, all else being equal. For emerging and developing economies with fixed exchange rate regimes, this may result in a depletion of foreign exchange reserves, as they seek to defend the value of their currencies. Since the reverse is true, such countries would likely be pleased with the Fed's latest rate cut. Developing countries with flexible exchange rate regimes would benefit from cheaper imports from the US as a result of the fall, since their currencies would appreciate against the dollar. This could ease imported inflation. Finally, when US interest rates are high, capital flows to emerging and developing economies could be constrained if the return on investment in those jurisdictions are not at least equivalent to yields in the US. In fact, when domestic yields fall below the levels in the US, those countries usually face a flight to quality, where local investors move portions of their capital abroad to take advantage of the more attractive returns. This can negatively affect economic growth in the affected countries.

The influence of US interest rates on the global economy was on display following the announcement of the Fed's latest rate cut. Global equity markets rose measurably in the wake of the statement, with some markets in Asia matching previous historic highs. When US interest rates fall, international investors expect growth to accelerate in the US and the wider global economy and are therefore more likely to invest. When interest rates rise, investors tend to invest less and are also a lot more selective, often at the expense of emerging and developing economies.

The decisions of the Fed are also closely monitored by other central banks. Changes in US interest rates can potentially impose a myriad of challenges on other economies including capital flight, lower growth, debt crises and weaker currencies, to name a few. To mitigate these risks and fulfill their mandate to promote economic and financial stability, global central banks are often called to respond to US monetary policy actions in a timely manner. Nevertheless, determining the appropriate policy response is seldom a simple matter. For example, in Trinidad and Tobago the Central Bank (CBTT) adopted an accommodative monetary policy stance since 2020, seeking to facilitate non-energy sector growth. Accordingly, the bank has kept its policy rate, the Repo, at 3.5 percent since March 2020. Nonetheless, CBTT's policy decisions became increasingly complex when US rates began to rise in the middle of 2022 and remained at elevated levels, despite decreases in 2024. The higher US rates resulted in a widening of the spread between US and domestic short-term interest rates from -1.23 percentage points in June 2022 to -4.06 percentage points in May 2024 (Figure 4). Simply put, US short-term yields, which were already above domestic interest rates, became even more attractive. This increased the potential for capital flight and put additional pressure on the country's foreign exchange reserves, with local investors seeking to benefit from the relatively higher US returns. This development placed the CBTT in a position where it was repeatedly forced to weigh the net benefit of continuing to prioritise economic growth versus the potential impact of matching US interest rate increases to help the country attract capital. The Bank opted to maintain its focus of stimulating growth, a position that was aided by controlled inflation for much of the period. With the differential trending down since March 2024, the latest reduction of the Fed Fund rates would further ease some of the external pressures facing the CBTT, though it may not necessarily result in marked reduction in the complexity of the environment.

**Figure 4: US-TT Differential for 3-Month Treasuries (%)**




**Source: CBTT, FRED**

The Fed's policy decision will continue to command significant global attention, with its next few policy announcements expected to be preceded by widespread anticipation. Given the forgoing, it is clear that the Fed does not and can't afford to make policy decisions in a vacuum, since its actions can potentially have deep and widespread impact domestically and globally. It is important for the relevant stakeholders to closely monitor and in some cases, try to anticipate those decisions, making sure to appropriately assess the major implications. The September reduction in the Fed Fund rates was, no doubt welcomed by many, both within the US and globally. Because of their heavy external debt levels, urgent need for capital and other factors, many emerging and developing economies would likely have breathed a sigh of relief after the announcement. On the other hand, US consumers and investors are also pleased, if not with the magnitude of the cut, at least with the fact that it likely represents the start of a cycle of gradual reductions by the Fed.