# WHO WILL DELIVER T&T FROM DISINFORMATION, DEFAULT AND DARKNESS?

Moody's downgraded the Government of T&T to Ba1 (non-investment grade / 'junk') over four years ago (long before COVID) on April 25, 2017. S&P downgraded the Government of T&T to BBB in 2019 and BBB- (one notch above 'junk') in 2020. In July 2021, S&P put its BBB- rating on negative outlook, which means that a downgrade (in this case, to junk) is their most likely next ratings action, especially if things continue along the current macroeconomic trajectory. Not one of the rating agencies' actions over the past 6 years has been positive, indicating a steadily increasing probability of sovereign default.

On September 18th 2021, the Jamaica Gleaner carried an article quoting the most recent public expression of my view that The Bahamas and Trinidad & Tobago are the most at-risk of suffering balance of payments crises / sovereign debt defaults in the Caribbean. It would appear that this may have prompted a reaction from the Minister of Finance in T&T, who on September 19th tweeted "I have observed some egregious misinformation published in the regional media about the TT economy. The fact is that through prudent management we have 8.7 months of Import Cover, US$7.1B in Reserves, US$5.6B in the HSF, AND Investment-Grade Credit Ratings, all amid Covid-19" and "The article in today's Sunday Guardian which claims that T&T will soon default on its sovereign loans is utter rubbish. One month ago, we affirmed our Investment Grade Credit Rating with Standard & Poor's, a premier sovereign credit rating agency. This is irresponsible journalism." But by the Minister's own admission via his tweet on August 24th "T&T's Foreign Reserves have just been boosted by the equivalent of US$644 Million, as a result of a global distribution by the IMF of Special Drawing Rights designed to help countries cope with the Forex demands of Covid-19. Our Net Foreign Reserves are now back over US$7 Billion." Surely the Minister wasn't attempting to take credit for this boost to reserves by citing his 'prudent management'.

## Were it not for USD loans, HSF drawdowns, IMF SDRs, reserves would be USD1.85bn

Leaving the Minister's disinformation aside, the facts are that were it not for Government's USD borrowing of USD2.5 billion since 2014, drawdowns from the Heritage and Stabilization Fund (HSF) of USD2.1 billion, and the USD644 million IMF SDR injection, T&T's foreign reserves would now stand at a mere USD1.85 billion or roughly TWO MONTHS of import cover. And these USD loans and drawdowns are being used to pay the interest on existing debt and other recurrent expenditure (Transfers & Subsidies, Wages & salaries in particular), but NOT to pay VAT refunds and other arrears that the Government continues to accumulate. This is anything BUT prudent management of reserves themselves, nor the way they are spent.

And this haemorrhaging of USD is by no means a pandemic phenomenon, or a recent one for that matter - the Government has been borrowing and withdrawing from the HSF steadily since 2014. Over the last 12 months alone, we have been burning through our organic reserves (excluding debt, IMF SDRs and HSF withdrawals) at a pace of about USD133 million per month, such that T&T has lost 81% of its organic reserves in the last 6 years. The TTD money supply to USD reserve ratio reached TTD14.56 : USD1.00 in June 2021, versus an official exchange rate of about TTD6.80 : USD1.00, demonstrating high and mounting pressure on the overvalued TTD / exchange rate. This is all anything BUT 'prudent management'.

| | BAHAMAS | BARBADOS | CAYMAN ISLANDS |
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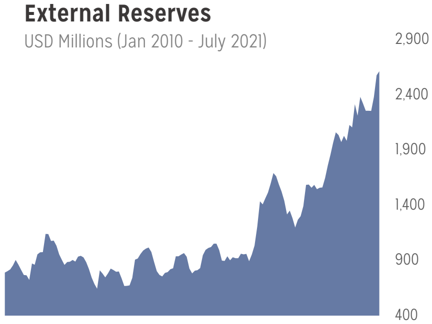
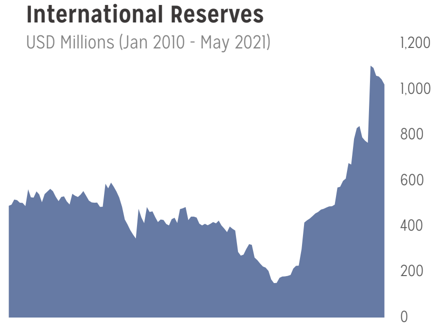
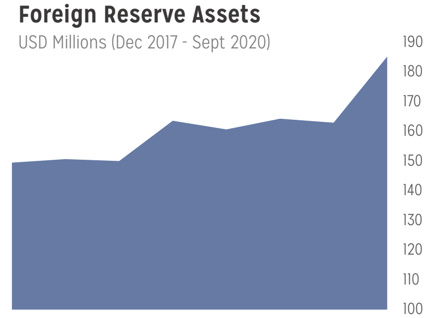
| UPDATE | General elections on Sept 16 saw a change in Government, having secured 32 of 39 seats. The next day, Moody's downgraded Bahamas' sovereign rating to 'Ba3' (junk) and maintained its negative outlook, citing the ongoing effects of the global pandemic and Hurricane Dorian. The economy contracted 14.5% in 2020 with declines in the tourism and construction sectors based mainly on pandemic-related measures. In June-July 2021, stayovers reached 72% of corresponding 2019 levels. In August 2021, The Bahamas saw its 4th wave of COVID cases. Government debt reached BSD10.356 billion at end-June 2021, up 16% y/y. External debt rose 44% y/y in July 2021 to USD4.36 billion, providing a boost to international reserves. An SDR allocation of SDR174.8 million added approximately USD247.5 million to international reserves in August 2021. International reserves stood at USD2.61 billion in July 2021, up 32% y/y, with usable reserves at USD1.31 billion. We expect a debt restructure and an IMF program in the next year or two. | The IMF's SDR allocation of USD129 million has boosted net international reserves to more than USD1.4 billion in August 2021. In June 2021, average inflation marginally increased to 1.5%. Inflationary pressures continue to be largely driven by transportation prices up 17% y/y and housing/utilities up 6.9% y/y. Clothing prices and household equipment fell 12.9% y/y and 5.4% y/y, respectively. For the first seven months of 2021, there was a total of 24,461 unemployment claims received by the NIS - a decline of 43% y/y. The IMF concluded a virtual staff visit on August 27, 2021 where they identified that indicative targets were met. A combination of smaller GDP due to weaker economic activity, and higher debt, led to a rise in the debt/GDP ratio to 151.8% at end-March 2021 vs. 144% at the end-2020. YTD tourism arrivals dropped 87% for January – July 11, 2021. The stand-alone month of July 2021 saw a significantly better result with 10,819 stopover arrivals, up 60% y/y, though only 18% of July 2019 levels. | The Cayman Islands lost roughly 6% of its population in 2020, returning it to near 2018 levels at 65,786, with the number of households at 27,084. Preliminary estimates put GDP per capita down 5.5% y/y to KYD68,674 in 2020. The number of Trusts and Bank licenses continued to decline in 2020 for the 20th consecutive year, now standing at 227 - only 39% of its 2000 level. The number of insurance companies improved slightly y/y to 679, but remains close to 2003 levels. The number of company registrations however, posted continued growth reaching 111,568 in 2020, up 1.8% y/y, with new registrations at 11,731 - the 9th best level on record. Over the period Jan-Aug 2021, fiscal revenue of KYD731 million and expenditure of KYD584 million resulted in a fiscal surplus of KYD147 million - 12% higher than budgeted. Proceeds from private fund fees and liquidations outweighed the shortfall in tourism related fiscal revenue. Govt has announced that the next phase of border reopening will no longer take place in 2021, based on a resurgence in COVID cases. |
| TOURISM | Stay-over:<br>2021: 491,355 (July) +35% y/y<br><br>Cruise pax:<br>2021: 40,070 (July) -97% y/y | Stay-over (est):<br>2021: 21,704 (mid-July) -87% y/y<br><br>Cruise pax (est):<br>2020: 250,881 (Dec) -64% y/y | Stay-over:<br>2021: 2,085 (Mar) -98.5%<br><br>Cruise pax:<br>2020: 538,140 (Dec) -76% |
| GROWTH | -14.5% (2020) | -17.6% (2020) | -6.7% (2020) |
| RESERVES | **External Reserves**<br>USD Millions (Jan 2010 - July 2021)<br><br>Source: Central Bank of The Bahamas, Marla Dukharan | **International Reserves**<br>USD Millions (Jan 2010 - May 2021)<br><br>Source: Central Bank of Barbados, Marla Dukharan | **Foreign Reserve Assets**<br>USD Millions (Dec 2017 - Sept 2020)<br><br>Source: CIMA, Marla Dukharan |
| OUTLOOK | Central Bank estimates the recovery could take until 2023 with only incremental growth in 2021. The IMF forecasts growth at 2% in 2021, a stronger recovery in 2022 of 8.5%, and pre-pandemic levels of activity not expected before 2024. | The Central Bank expects growth in the range of 1-3% in 2021. IMF forecasts gradual recovery to begin at 4.1% for 2021. Growth will return to a medium-term average of 2% as structural reforms are implemented. | The Gov't expects growth for 2021 will be 1.2%, accelerating in 2022 to 4.7% as tourism begins to recover. For 2023-2025, Gov't expects growth will average 2.9% per annum. |

| | CUBA | DOMINICAN REPUBLIC | GUYANA |
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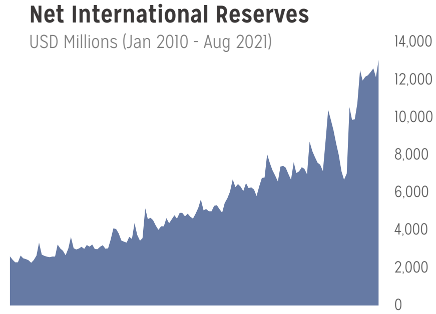
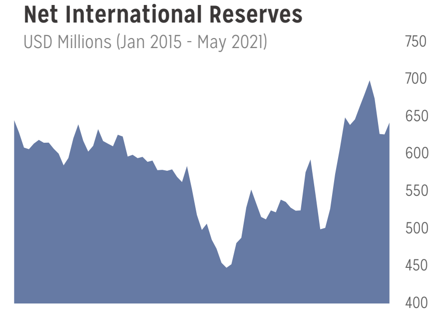
| UPDATE | New 2021 growth projections released by ECLAC remain the same for Cuba at 2.2%. The organization forecast inflation in the triple-digits in 2021 as a result of the unification of the two currencies, Inflation reached 18.5% at the close of 2020. The devaluation will support external accounts and is expected to widen the current account surplus with respect to GDP. Fiscal accounts remain under severe stress with the fiscal deficit projected to reach 18.3% of GDP this year - sharper than the 17.7% of GDP deficit recorded last year. Cuba's population declined in 2020 for the 4th consecutive year, as the country lost 57,629 residents since 2016. Authorities expect to lose 83,118 more in population by 2035. The aging population is a growing economic challenge, with the over 60 population at 1.36 times the population under 15. A gradual reopening of borders and relaxation of COVID protocols is expected to begin on November 15. Cuba received on average 20,000 visitors per month in Jan-July 2021 vis-à-vis 408,000 per month for the same period of 2019. | Tourist arrivals for Jan-Aug 2021 reached 2.94 million, and arrivals are projected to grow by 65% to over 4.8 million by the end of this year. Inflation reached 7.9% y/y in August 2021 driven by transport (+14% y/y) and food and beverages (+11% y/y). Accumulative economic growth for Jan-July 2021 exceeded 13% y/y, and the Central Bank expects GDP will expand by at least 10% in 2021. For Jan-July 2021, exports rose 25% y/y to USD7.04 billion. Domestic demand is recovering, with imports rising 68% y/y for the month of July. Remittances for Jan-Aug 2021 surpassed USD7 billion, up 39% y/y, bringing the total for the last 12 months to over USD10.1 billion. US stimulus packages and their economic recovery are major factors behind this growth, as nearly 85% of remittances come from the US, where over 2 million people of Dominican origin reside. International reserves reached USD13 billion, (up USD649 million in August based on SDRs), providing 7.5 months import cover. At the end of August, the DOP appreciated for the 3rd consecutive month, +2.3% to DOP57.18 : USD1.00. | Oil exports continue to drive the economy with the IDB reporting growth of 43.5% in 2020 and a projected 20.9% for 2021. Oil & Gas accounted for 64% of total exports for Jan-June 2021, bringing in USD1.297 billion in foreign exchange. In Aug, int'l reserves reached USD819.6 million - the highest level since Dec 2012. The outlook for the non-oil economy remains highly uncertain due to major floods that began in May 2021. Roughly 52,000 households were impacted, according to the IDB. Annual inflation reached 7.7% in July as food prices surged 17%. Prior to the flooding, annual inflation was 2.8% in April, and food prices were up 6.2% y/y. In terms of volume, exports for Jan-June 2021 declined y/y for all major non-oil commodities except rum and diamonds, both of which outperformed Jan-Jun 2019 results as well, by 26% and 16% respectively. Declines were recorded for sugar (-9% vs 2020, -31% vs 2019), rice (-4% vs 2020, +13% vs 2019), dried bauxite (-10% vs 2020, -72% vs 2019), gold (-22% vs 2020, -19% vs 2019) and timber (-17% vs 2020, -39% vs 2019). |
| TOURISM | Stay-over:<br>2021: 141,316 (Jul) -86% y/y<br>Cruise pax:<br>2018: 877,500 +43% y/y (*341,005 from USA) | Stay-over:<br>2021: 1,897,643 (Jun) +36%y/y<br>Cruise pax:<br>2021: 4,841 (Apr) -99%y/y | Stay-over:<br>2021: 13,599 (Feb) -73% y/y<br>Cruise pax:<br>n/a |
| GROWTH | -10.9% (2020) | -6.7% (2020) | 43.4% (2020) |
| RESERVES | n/a | **Net International Reserves**<br>USD Millions (Jan 2010 - Aug 2021)<br><br>Source: Central Bank of the Dominican Republic, Marla Dukharan | **Net International Reserves**<br>USD Millions (Jan 2015 - May 2021)<br><br>Source: Bank of Guyana, Marla Dukharan |
| OUTLOOK | We expect growth to remain below 3% in 2021. Recovery beyond this is largely contingent on tourism, investment in agriculture and power generation, and improving int'l relations / sanctions. | Growth is projected to be in the double-digits, at least 10% for 2021, according to the Central Bank. The IMF expects growth of 5.5% in 2021, with growth averaging 5% in the medium-term. | The World Bank forecasts 7.8% growth in 2021 and 3.6% in 2022. The IMF forecasts 16.4% growth in 2021, 46.5% growth in 2022, 30.6% in 2023, and 3% average in subsequent years. |

| | JAMAICA | SURINAME | TRINIDAD & TOBAGO |
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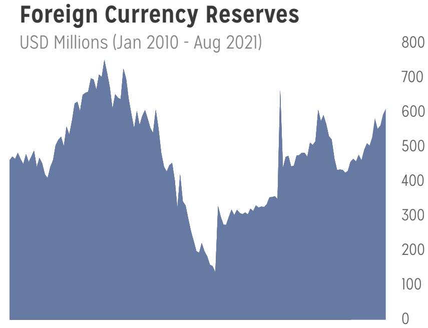
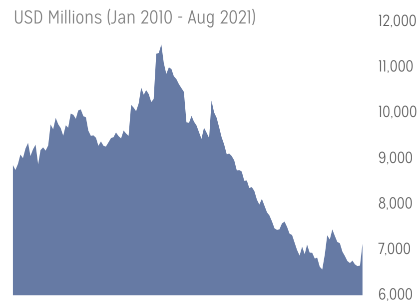
| UPDATE | Remittances continue to reach historic monthly highs, amounting to just over USD2 billion for the first 7 months of 2021, ~30% shy of full-year 2020 inflows (the highest level recorded in 7 years). Prices increased slightly in August 2021 m/m by 0.9% driven by food and transport prices. Year-on-year, inflation measured 6.1%. Total spending on imports and earnings from exports for Jan-May 2021 increased 12% y/y and 24.6% y/y, respectively. Higher imports of fuels (+42.7%) and raw materials (+13.8%) largely drove the overall increase in imports. USA, Brazil, China, Japan and Colombia accounted for 65.4% of Jamaica's imports. Reaching JMD148.24 : USD1 on Sept 23, the exchange rate appreciated m/m by 3.7% but depreciated 3.8% vs Sept 23, 2020. Debt/GDP increased to 106% from 94% in 2020, owing largely to the pandemic's effect on GDP. For 2021, growth is forecast at 1.5%, and will support a reduction in debt/GDP to 96.5%. | A USD175 million SDR allocation from the IMF boosted foreign currency reserves, which reached USD610 million in August 2021 - the highest level since May 2018. The average exchange rate in August was SRD21.53 : USD1.00, depreciating 65% y/y. Consumer prices rose 59.8% y/y in August based on the pass-through effects of the SRD depreciation. In the 12 months to April, the monthly economic activity index declined 11.2% y/y, albeit a slower deterioration than the 13.3% y/y contraction in March. Higher local fuel sales benefitted the trade sector. The perceived improvement in manufacturing is attributable to the early 2020 maintenance shutdown at the refinery. A slower contraction in banana production was also noted for agriculture. Gold production declined as COVID restrictions impacted commuting, and heavy rainfall affected production at the Rosebel Mine. April 2021 was the 2nd consecutive month to post growth y/y, up 7% with respect to April 2020. | Economic activity in H1 2021 continued to be affected by weak energy sector production, resulting from domestic natural gas supply issues and pandemic-related constraints. The Central Bank's Quarterly Index of Real Economic Activity estimates a contraction in of 7.7% y/y in Q1 2021, following an average -8.7% y/y contraction for the 4 quarters of 2020. In Q1 2021, activity in the energy sector declined 13.4% y/y, and activity in the non-energy sector fell 4.2% y/y. International reserves increased to USD7.13 billion in August 2021 based on a USD644 million SDR allocation. Rising Government debt and high fiscal deficits continue to pose downside risks to the economy. In August 2021, CariCRIS lowered its sovereign rating by 1 notch to CariAA from CariAA+ with a stable outlook. A revised fiscal deficit of 11% of GDP was presented at the mid-year budget review vs. the budgeted 5.6% for FY2020/21. The FY2021/22 budget is expected to be delivered on October 4th 2021. |
| TOURISM | Stay-over:<br>2021: 532,545 (Jun) -8.4% y/y<br><br>Cruise pax:<br>2020: 449,271 (Dec) -71.1% y/y | n/a | Stay-over:<br>2021: 2,774 (Jun) -97% y/y<br><br>Cruise pax:<br>2020: 45,580 (Dec) -50% y/y |
| GROWTH | -10.2% (2020 prelim. est.) | -14.5% (2020 prelim. est.) | -10% (2020 prelim. est.) |
| RESERVES | **Net International Reserves**<br>USD Millions (Jan 2010 - Aug 2021)<br><br>Source: Bank of Jamaica, Marla Dukharan | **Foreign Currency Reserves**<br>USD Millions (Jan 2010 - Aug 2021)<br><br>Source: Centrale Bank van Suriname, Marla Dukharan | **Net Official Reserves**<br>USD Millions (Jan 2010 - Aug 2021)<br><br>Source: Central Bank of Trinidad and Tobago, Marla Dukharan |
| OUTLOOK | The EPOC anticipates that the economy will recover to pre-pandemic levels in FY2023/24. The IMF forecasts 1.5% growth in 2021, and 5.7% in 2022. Fitch forecasts growth at 4.5% in 2021 and 5.2% in 2022. | For 2021, the National Planning Office expects a further contraction of 1.9%. The Govt has agreed on a program with the IMF as a debt / balance of payments crisis is underway. The IMF is projecting only 0.7% growth for 2021 and 1.5% growth in 2022. | We expect that the economy contracted by at least 10% in 2020. The IMF forecasts growth of only 2.1% in 2021 and 4.1% in 2022. [We also expect a balance of payments crisis and an IMF program by 2022, at the latest.] |