DOES BARBADOS HAVE PRINTING PTSD OR ARE THE PRINTING FEARS JUSTIFIED?

Barbados is emerging from one of the most difficult periods in its history. Following a decade of economic mismanagement that led to a balance of payments crisis in 2018, Barbados has survived the most comprehensive debt restructure known to man, a pandemic during which St. Vincent's La Soufriere volcano dumped tons of ash on us, severe weather impacts in 2021, and an ambitious IMF supported reform program. Barbados has managed to improve its socio-economic stability despite severe challenges, for which I think the Gov't should be congratulated. They are not perfect, and their work is not yet complete - far from it - but they have managed commendably, in my opinion. But the Gov't has had to incur expenditure that it otherwise would not, and the fiscal consolidation they intended to pursue would have been unwise under the circumstances of the last three years. This has resulted in wider fiscal deficits and, therefore, more borrowing than planned, and the Gov't is restricted in the amount and type of debt it can raise to finance its deficit. Not an easy situation to be in.

Recently I have been asked the question repeatedly – is the Central Bank printing money? The short answer to this question is yes and no. One of the roles of a Central Bank is, in fact, to print money, but the problem arises when the Central Bank prints money in excess to finance the Gov't and/or where such printing isn't sufficiently backed by FX reserves. The Currency Board arrangements of the Eastern Caribbean Currency Union and The Cayman Islands for example, only permits Central Bank 'printing' of local currency which is backed by USD. According to Barbados' Central Bank Act, the Central Bank's exposure to the Gov't is capped at 3% of GDP, the Gov't securities held by the Central Bank cannot exceed 5 years to maturity and must be repaid upon maturity, or if rolled, must be purchased by someone else - not the Central Bank. So, there are limits to the extent to which the Central Bank can finance the Gov't, and at this point, we are nowhere near those limits. The ratio of the monetary base to net international reserves has fallen from a high of BBD15.50 : USD1.00 in January 2018, to BBD3.60 : USD1.00 currently, demonstrating that the BBD is increasingly backed by USD held in reserves.

| The BBD is increasingly backed by USD, from BBD15:50:USD1 in 2018 to BBD3.60:USD1 currently

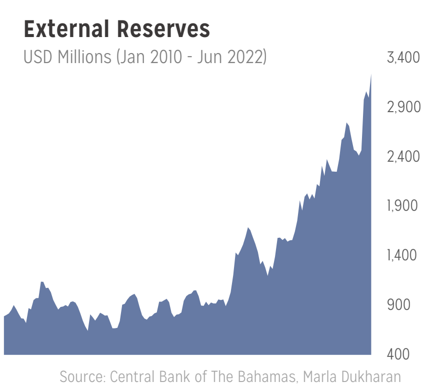
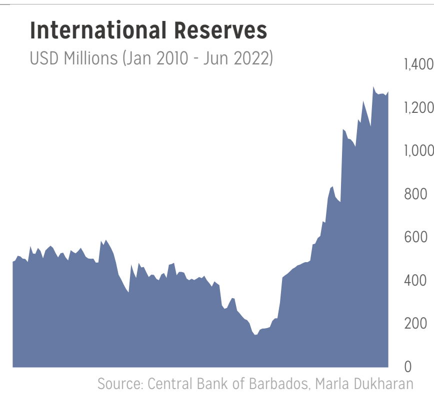
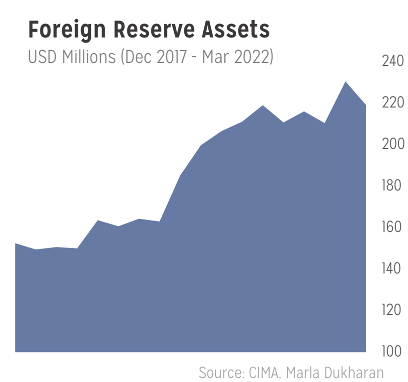
The Central Bank is financing part of the Gov't's fiscal deficit as evidenced by the Central Bank's balance sheet and their quarterly report, where on page 21, Central Bank holdings of Gov't obligations grew from BBD703.8 million at the end of 2018, to BBD941 million at the end of June - an increase of BBD237 million or roughly 34%. Remember, however, that the Gov't received the equivalent of BBD261.6 million from the IMF's Special Drawing Rights (SDRs) disbursement to nations across the world to support pandemic-related spending. This IMF SDR injection is not a loan. This is a grant given to the Gov't, which was then given to the Central Bank in USD to purchase Gov't securities in BBD, basically returning the funds to the Gov't but in local currency. The Central Bank exchanged one asset for another, in essence, and any 'printing' of BBD was backed by USD in this case. If the Gov't took the SDRs for example, sold the USD to the market in exchange for local currency, and took the BBD and paid salaries, it would amount to roughly the same thing.

Now, having said all of this, I think it is imperative that the Government place urgent emphasis on reigning in its deficit, which is their intention. The ease and cost of doing business in Barbados, and indeed the cost of living, are affecting its external competitiveness, its attractiveness as an investment destination, and its longer-term growth prospects, therefore. The demographic challenges / aging population amplify the strain being placed on the National Insurance in particular, which could end up putting pressure on central government finances in the longer term if not addressed urgently. Already Barbados is one of the highest taxed and highest cost jurisdictions in the region, so the question of how to sustainably reduce the deficit is not a simple one. But if anyone can fix this, Prime Minister the Honourable Mia Amor Mottley can.

<table>
<tr><th></th><th>BAHAMAS</th><th>BARBADOS</th><th>CAYMAN ISLANDS</th></tr>
<tr><td>UPDATE</td><td>Total public sector debt reached BSD12.1 billion in June - a 31.1% increase vs 2019, with foreign currency debt at 46.2% of total. Foreign currency interest payments amounted to 21.5% of govt revenue at June-end - ~3 times the 2019 level. Rothschild & Co. was hired by the govt for debt advisory services. The IDB estimates COVID and Hurr Dorian cost the Bahamas BSD13.1 billion for 2020-2023, with COVID losses at BSD9.5 billion – 2.7 times the level of damages from Dorian. The private sector absorbed 88% of losses from Dorian and 93% from COVID. Tourism recovery will support stronger fiscal revenues. May YTD tourist arrivals were around 75% of 2019 levels, supporting the private sector's capacity for generating FX in 2022. The govt's dual tranche bond offering raised external reserves by USD243.4 million in June to USD3.25 billion, 6.1 months import cover. Usable reserves stood at USD1.78 billion. Inflation remains elevated at 6.2% in June 2022.</td><td>Barbados registered its 5th consecutive quarter of growth in June 2022 and 10.5% growth for H1 2022. Agriculture output grew by 3.8% and manufacturing by 3.3%, both sustained by stronger tourism. Labour markets are gradually returning to pre-COVID levels. Unemployment fell to 9% in Q1 2022, compared to 17.2% a year earlier. Labour force participation also increased by 4 percentage points to 62.7%. Jobs are being created in tourism, wholesale, retail, transport, communications, and services. Business and finance also performed well and distribution activity increased also in response to tourism. Tourist arrivals were 56% of 2019 for Jan-June 2022, with 44% of tourists from the UK. Average inflation over the 12 months to May 2022 was 5.8% but the y/y variation for the month of May was 11.9%. Food prices were up 18% y/y in May and Transport prices 13.6%, in spite of recent fiscal and price measures to contain inflation.</td><td>May YTD stayover arrivals reached only 38% of 2019 levels, as the industry is just beginning to recover. Inflation was 12.1% in June with the Housing & Utilities index up 19% due to the higher cost of electricity and construction materials, Transportation prices up 17% and Food & Beverage prices up 7.9%. Unemployment in the 2021 Census was recorded at 5.7%. 2021 saw a gradual recovery in the size of the population, estimated at 68,811. 54% of the total labour force was non-Caymanian. 93% of the non-Caymanian working age population was engaged in the labour force, vs 73% for Caymanians. The population is aging with pop. over 65 up 85% vs 2010. Meanwhile the pop. 0-14 grew only 12% for that period. A rise in the incidence of diabetes was recorded for Caymanians from 61.2 per 1,000 pop. in 2010 to 66.7 in 2021 (vs 23 per 1,000 for non-Caymanians). Women are disproportionately affected, as incidence rose from 66.1 (2010) to 72.2 per 1,000 (2021).</td></tr>
<tr><td>TOURISM</td><td>Stay-over:
2022: 593,716 (May) @ 73% of 2019

Cruise:
2022: 1,796,687 (May) @ 76% of 2019</td><td>Stay-over:
2022: 208,812 (Jun) @ 56% of 2019

Cruise:
2022: 175,889 (Apr) @ 52% of 2019</td><td>Stay-over:
2022: 88,010 (May) @ 38% of 2019

Cruise:
2022: 123,129 (May) @ 14% of 2019</td></tr>
<tr><td>GROWTH</td><td>-23.8% (2020) / +13.7% (2021 est)</td><td>-18% (2020) / -1.8% (2021 est)</td><td>-6.7% (2020) / +1.2% (2021 est)</td></tr>
<tr><td>RESERVES</td><td>
</td><td>
</td><td>
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<tr><td>OUTLOOK</td><td>We expect the economy to grow 5% in 2022 and 4% in 2023 backed by reconstruction and continued tourism recovery, leaving the level of economic activity ~7% below its 2019 level. The IMF forecasts 8% growth for 2022, 4.1% for 2023, averaging 2% to 2027.</td><td>The government expects growth of 7–9% in 2022, with a medium term average of 3% per year thereafter. The IMF forecasts 11.2% growth for 2022 and 4.9% for 2023, averaging 1.8% to 2027.</td><td>Growth is forecast to accelerate to 5% in 2022 and then average 3.2% through 2025, backed by construction activity and the gradual recovery of tourism.</td></tr>
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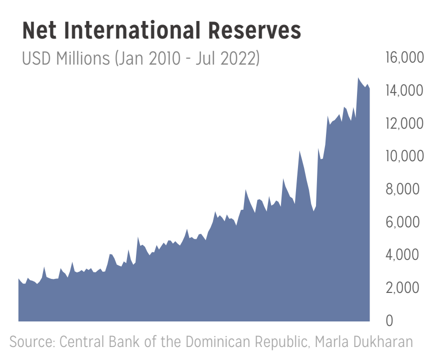
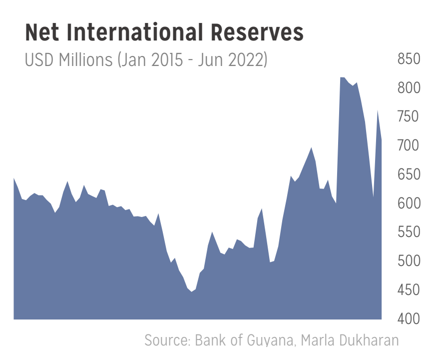
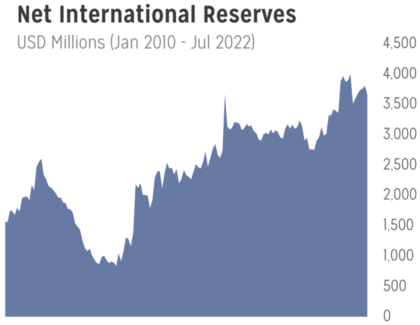
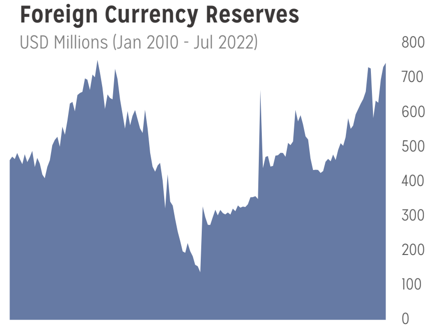
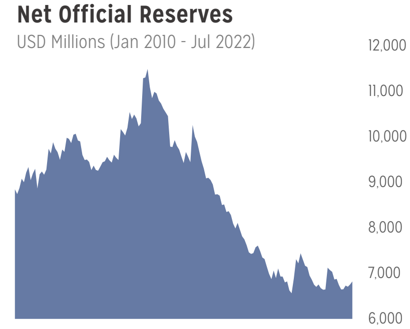
	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	GDP grew 10.9% y/y in Q1 2022 - insufficient to offset the 12.7% contraction in Q1 2021. Inflation reached 26.16% in May, with food prices up 43% y/y. Final figures for 2021 show GDP grew 1.25%, ending 10% below 2019 levels. Construction grew 4%, Hotels & Restaurants 5%, and Public Health/ Social Assistance 14% in 2021, while inflation reached 77%. In 2021, Cuba generated a USD6.5 billion merchandise trade deficit and the food import bill returned to USD1.9 billion – equal to all merchandise exports. The fiscal deficit was 11.7% / GDP in 2021. 22% of the population was over 60 in 2021, forecast to reach 33% by 2035. Govt announced a new FX trading system will be coming and available to all citizens. The fire at the Matanzas Supertanker Base compromised Cuba's main fuel storage infrastructure, resulting in the disconnection of the largest thermoelectric facility. The disaster increases the risk of fuel shortages, outages, production declines, scarcity, and inflation.	The Central Bank increased the policy rate to 7.25% in August in response to ongoing inflation, which reached 9.43% in July. Economic activity in June expanded 5.8%, as the services sector grew 7.7% in H1, with activity in hotels, bars & restaurants up 34.3%. Continued strength is expected as YTD stayover arrivals surpassed their 2019 level in July. Tourism revenues nearly doubled y/y in H1 2022 and surpassed 2019 levels reaching USD4.12 billion YTD in June. Remittances reached USD5.67 billion in July, softening y/y but still 38% above pre-COVID levels. Manufacturing free zone activity increased by 8.6% during H1 2022 and free-zone exports grew by 14.6% driven mainly by medical and surgical equipment. Domestic exports grew by 18.9%. For Jan-Jun, FDI totalled USD1.87 billion, and is projected to reach USD3.5 billion by year-end. International reserves increased to USD14.17 billion in July and the DOP has been appreciating this year from DOP57.52: USD1 in Jan to DOP54.11:USD 1 in Aug.	Oil production expanded to 10.9 million barrels for Q1 2022 vs 27.2 million barrels for the entire year 2020. In July, Exxon Mobil made 2 additional discoveries (Seabob and Kiru Kiru wells), with recoverable resources estimated at over 11 billion boe. The Bank of Guyana projects oil GDP growth of 49.6% for 2022. The non-oil sector is projected to grow 7.5%, led mainly by construction, wholesale & retail, and the recovery in gold mining and agriculture. Loans to the private sector grew 23% y/y in June 2022, led by loans for professional services +82%, agro, shrimp & fishing +67%, and food & beverage mfg +52%. The current account and overall balance of payments will record higher surpluses in 2022, supporting exchange rate stability and appreciation of the GYD. The GYD has been appreciating since early 2021 from GYD215.67: USD1.00 in Jan 2021 to GYD206.92: USD 1.00 in June 2022. The Natural Resource Fund balance increased 35% from Jan 2022 to USD845.6 million in July, despite 2 USD200 million withdrawals.
TOURISM	Stay-over: 2022: 682,411 (Jun) @ 24% of 2019 Cruise : n/a	Stay-over: 2022: 4,282,207 (Jul) @ 103% of 2019 Cruise: 2022: 562,496 (Jun) @ 98% of 2019	Stay-over: 2022: 51,389 (Mar) @ 77% of 2019 Cruise : n/a
GROWTH	-10.9% (2020) / +1.3% (2021)	-6.7% (2020) / +12.3% (2021)	43.5% (2020) / +19.9% (2021)
RESERVES	n/a		
OUTLOOK	Govt expects growth of 4% in 2022 while UN ECLAC projects 3.5%. Recovery beyond this depends mainly on FDI, tourism, investments in agriculture and power generation, international relations / sanctions, and Russia's invasion of Ukraine.	The external sector will continue to see robust activity, with the recovery of tourism to continue in 2022. Geopolitical tensions have lowered GDP forecasts from 5.5% for 2022 to 5%. Growth will remain around 5% over the next 3 years.	Bank of Guyana projects growth of 47.5% in 2022, with non-oil GDP up 7.5%. The World Bank forecasts 49.7% growth in 2022 and 25% in 2023. The IMF forecasts 47.2% growth in 2022, 34.5% growth in 2023, and 3.7% average to 2027.

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	The BoJ increased its policy rate in June to 5.5% - a 300 base point increase since Jan 2022. The 6 month T-bill rate has risen steadily from 1.18% in July 2021 to 7.89% in July 2022. The JMD appreciated from JMD157.12 : USD1.00 in Feb to JMD152.88: USD1.00 in July. Net intl reserves at July declined to USD3.66 billion, providing 24 weeks import cover. Inflation remained above BoJ's target for June at 10.9%, with food prices up 13.8%, electricity up 10%, transportation up 15.6%, and hotel & restaurant prices up 22%. The economy grew 6.4% y/y in Q1 2022 with the level of activity 3% below Q1 2019: Hotel & Restaurants remained 34% lower; Transport, Storage & Communication 3.8% lower as the air transport segment continues to recover; Agriculture had its second best quarter ever, performing 14.5% better; and Construction was 7.5% higher. Unemployment reached an all-time low in April 2022 at 6% - 1.3 pp below the pre-COVID levels; however, the labour force shrank by 1.6% since Jan 2020.	Economic activity declined 3.2% y/y in March 2022, with output down in Agriculture by 17% and Mining by 11%, y/y. Transport & Storage showed a strong recovery growing 80%, Accommodations & Food Services grew 32%, and Construction 20%. The SRD depreciated 9% y/y in July 2022 to SRD23.53:USD1, having lost nearly 2/3 of its value in the last 24 months, making imports more expensive and stoking inflation. Inflation reached 55% in June and has gradually been subsiding as the base effects of the devaluation are passing through. Housing & utilities prices were up by 230% y/y, communication up 57%, transport up 53%, and food up 38%. Foreign currency reserves reached USD743 million in July, improving by only USD12 million since Dec 2021. Total IMF financing for 2022 is expected to be USD223 million, which will support a stronger reserves position. Govt transfers & subsidies accounted for 41% of total govt revenue for Jan-May 2022 and the wage bill accounted for 34%, underscoring the need for reforms.	The outlook for S&P's BBB- credit rating for T&T was revised to stable from negative, based on an expected increase in fiscal revenue from high energy prices, which should support a narrower deficit. While O&G prices are above budget estimates, production remains far below targets. Ave WTI prices for Jan-Jul were USD101.3/bbl vs a budget estimate of USD65/bbl, and ave Henry Hub prices were USD5.58/mmbtu vs budget of USD3.75/mmbtu. Jan-Jun 2022 oil production averaged 31% below budget at 59.16 kbpd and gas production was 22% below target at 2,612 mmscf/d. Higher than budgeted O&G prices means govt would likely have to contribute to the Heritage and Stabilization Fund and the cost of the fuel and electricity subsidies will rise, making the final effect of higher O&G prices on the deficit mixed. Food prices rose 7.8% y/y in June. Subsidies on fuel and electricity kept those prices down, dampening overall inflation for June to 4.9%. Unemployment was 5.1% for Q1 2022 vs 4.2% in Q1 2020, and the labour force declined 2.2% vs Q1 2020.
TOURISM	Stay-over: 2022: 937,227 (May) @ 81% of 2019 Cruise: 2022: 211,909 (May) @ 25% of 2019	n/a	Stay-over: 2022: 114,700 (Jul) @ 49% of 2019 Cruise: 2021: 0
GROWTH	-10% (2020) / +4.4% (2021 est)	-15.9% (2020) / -3.5% (2021)	-7.4 (2020) / -1% (2021 est)
RESERVES	**Net International Reserves** USD Millions (Jan 2010 - Jul 2022)  Source: Bank of Jamaica, Marla Dukharan	**Foreign Currency Reserves** USD Millions (Jan 2010 - Jul 2022)  Source: Centrale Bank van Suriname, Marla Dukharan	**Net Official Reserves** USD Millions (Jan 2010 - Jul 2022)  Source: Central Bank of Trinidad and Tobago, Marla Dukharan
OUTLOOK	BOJ expects growth of 2-4% in FY 2022/23 as the tourism recovery strengthens. GDP could return to pre-COVID levels in FY2022/2023. The IMF forecasts 2.5% growth in 2022, 3.3% in 2023, averaging 1.6% to 2027.	The IMF program underway supports recovery from the debt / balance of payments crisis. The IMF projects growth of 1.8% in 2022, 2.1% in 2023, averaging 3% to 2027.	The IMF forecasts growth of 5.5% in 2022, 3% in 2023, then averaging 1% to 2027. We expect a balance of payments crisis to develop this year, absent significant reforms and economic recovery.