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ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN

Preliminary overview of the economies of the Caribbean 2021–2022

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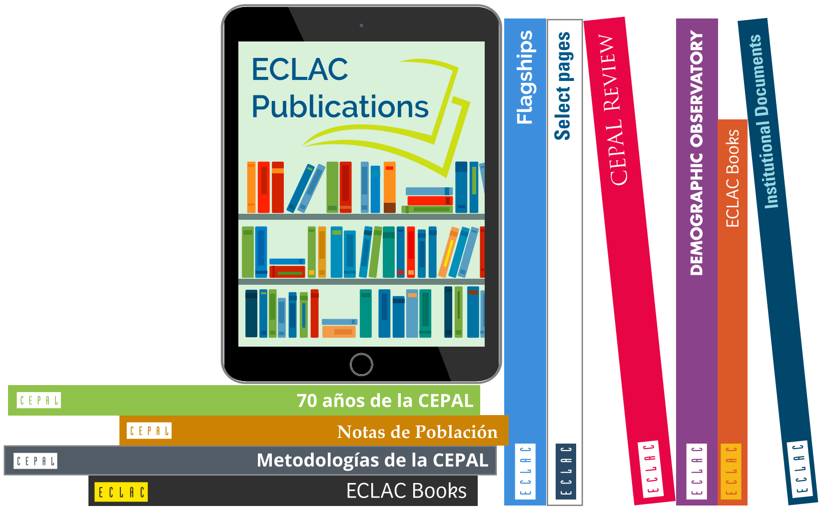

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Abstract

This overview examines the economic performance of economies of the Caribbean in 2021 and comprises four chapters. The first chapter provides a comparative analysis across Caribbean economies of the main macroeconomic variables, namely GDP growth, monetary indicators, as well as fiscal and external accounts. The second chapter concludes, while the annex includes individual country briefs that give an overview of the economic situation for the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, and a subregional assessment of the countries of the Eastern Caribbean Currency Union.

Introduction

A. The world economy and its prospects

The prospects for the global economy in 2022 are less clear now than was anticipated when the global vaccination process was underway and there were attempts at normalisation by some economies. The emergence of new Omicron variants has forced some countries to reimpose restrictions.

The recovery has also been complicated by the war in Europe as trade restrictions have been imposed on Russia, a major oil and wheat exporter. Ukraine is also a major global exporter of wheat which means that some commodity prices will increase. These disruptions have caused higher prices and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies, especially those that are energy import dependent.

Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022. This largely reflects lower forecasts in the two largest economies of the US and China. In the case of the United States, smaller fiscal support, earlier withdrawal of monetary accommodation, and continued supply shortages have resulted in a less optimistic forecast. It is anticipated that growth will be 5.6% in 2021 and 4% in 2022 for the United States. With respect to China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress in the housing market among property developers have also contributed to a less optimistic forecast. The forecast growth is a decline from 8.1% in 2021 to 4.8% in 2022.

The global forecast for 2022, however, is conditional on improved health outcomes and employment prospects by end-2022.It is also assumed that vaccination rates will improve worldwide, and health measured will be more effective.

Looking at the global economy in more detail, advanced economies will grow by 5.0% in caribbean2021 and 3.9% in 2022 and as in the global financial crisis of 2008-2009 the emerging market and developing countries will contribute more to growth than advanced economies. This group grew at 6.5% in 2021, however, its growth is forecast to decline to 4.8% in 2022, which is significant. In the Euro area growth in 2021 was 5.2% and this will decline to 3.9% in 2022, no doubt as a result of the ongoing Ukraine-Russia war. Latin America and the Caribbean which grew at 6.2% in 2021 will bring up the rear with a growth of 2.1%.

Elevated inflation is expected to persist for some time, and this will be aggravated by ongoing supply chain disruptions, the ongoing conflict in Europe and persisting high energy prices in 2022. It is hoped that if inflationary expectations are contained, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds. This also means higher interest rates which will negatively impact investment. Other headwinds include the growing geopolitical tension and how the major actors, including China and the United States, will respond. This will have attendant economic consequences.

Despite rising global debt, fiscal policy will have to continue to address health issues, with social spending focusing support on the worst affected. According to the IMF World Economic Outlook (2022), international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructuring where needed.

Table 1
International actual and projected growth rates 2020–2022
(Percentages)

	Estimate		Projections
	2020	2021	2022
Advanced Economies	-4.5	5.0	3.9
Emerging market and Developing countries	-2.0	6.5	4.8
Euro area	-6.4	5.2	3.9
Latin America and the Caribbean	-6.8	6.2	2.1
China	2.3	8.1	4.8
India	–7.3	9.0	9.0
United States	-3.4	5.6	4.0
World	-3.1	5.9	4.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures; International Monetary Fund (IMF), "World Economic Outlook Update, January 2022.

B. The Caribbean growth rates

The Caribbean economies which were severely affected by the pandemic are returning slowly to some semblance of normality as the tourism sector opens up. In 2021 the goods producers, including Guyana which has experienced astonishing growth due to its vast oil reserves, grew by 3.4% but this rate falls to -0.8% if Guyana is excluded. Meanwhile the service producers also saw positive growth of 2.7% reflecting a rebounding of the tourist economy. However, it must be noted that growth in 2021 does not take the subregion back to 2019 GDP levels. In 2021, a few economies had negative growth, namely Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago. The decline of 6.1% for Saint Vincent and the Grenadines was quite significant.

The growth rates for 2022 are more optimistic, however, it is important to note that these economies are recovering from a very low base in 2021.The overall growth is anticipated at 11% and 6.1% excluding Guyana. All the economies of the subregion are expected to post positive growth in 2022 lead by Guyana with an exceptionally robust growth rate of 46%. The good producers excluding Guyana are anticipated to grow at 7.0% and the service producers at 15.1%.

Table 2
The Caribbean: GDP growth rates, 2019–2022
(Percentages)

	2019	2020	2021	2022[a]
Anguilla	5.5	-29.9	1.0	7.4
Antigua and Barbuda	4.9	-20.2	1.8	4.2
Bahamas	0.7	-14.5	2.3	8.5
Barbados	-1.3	-17.9	1.5	7.5
Belize	1.8	-14.1	2.7	6.2
Dominica	5.5	-16.6	3.2	4.6
Grenada	0.7	-13.8	0.7	4.0
Guyana	5.4	43.5	18.5	46.0
Jamaica	0.9	-9.9	4.0	5.7
Monserrat	7.0	-5.3	1.3	3.0
Saint Kitts and Nevis	4.2	-14.4	-1.8	3.9
Saint Lucia	-0.1	-20.4	6.3	15.8
Saint Vincent and the Grenadines	0.5	-3.3	-6.1	3.7
Suriname	1.1	-15.9	-1.0	1.5
Trinidad and Tobago	-0.2	-7.4	-1.0	5.7
The Caribbean[b]	**0.9**	**-7.9**	**3.0**	**11.1**
Goods Producers	**0.9**	**-1.5**	**3.4**	**15.1**
Service Producers	**0.9**	**-13.5**	**2.7**	**7.0**
The Caribbean excluding Guyana	**0.6**	**-11.7**	**1.2**	**6.1**
Goods producers excluding Guyana	**0.2**	**-9.3**	**-0.8**	**5.0**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
[a] Forecast.
[b] Aggregates are weighted averages.

C. Unemployment

In light of the challenges posed by the COVID-19 pandemic to the economies of the subregion, it is not surprising that unemployment rates have increased. The closure of businesses, the need for social distancing and the general disruption of supply chains caused by the health shock affected all business activities. Relative to 2019 the unemployment rates for all the countries increased. For the Caribbean as a whole unemployment rose from 10.4% in 2019 to 12.1 and 12.2 % in 2021 and 2022 respectively. Even in the case of Trinidad and Tobago where the economy is based on hydrocarbons exports, unemployment rates rose from 3.4% in 2019 to 4.6 and 4.8% in 2020 and 2021 respectively. The highest unemployment rate was reported in Saint Vincent and the Grenadines where it rose from 19.3% in 2019 to 21% in 2020 and 21.6% in 2021.

There were also gender differences in unemployment rates and these were aggravated by the differential impacts of the pandemic at the sectoral level. Women tend to dominate the service sector jobs in the tourism-based economies. The overall unemployment rates for men in 2019 was 9.5% and this rose to 11.4% and 11.3% in 2020 and 2021, respectively. At the same time the unemployment rate for females was 11.5% in 2019 and rose to 13.6 and 13.8% in 2020 and 2021, respectively.

Table 3
Unemployment rates, 2017–2021
(Percentages)

	2017	2018	2019	2020	2021
Bahamas	9.8	10.0	10.1	13.3	13.2
Barbados	8.6	8.3	8.4	10.4	10.4
Belize	6.6	6.6	6.7	8.5	8.2
Guyana	13.7	14.0	14.0	16.4	16.4
Jamaica	11.6	9.1	7.7	9.5	9.2
Saint Lucia	18.9	19.1	15.3	16.9	16.9
Saint Vincent and the Grenadines	19.2	19.2	19.3	21.0	21.6
Suriname	7.9	7.9	8.0	9.8	10.1
Trinidad and Tobago	3.3	3.3	3.4	4.6	4.8
The Caribbean	**11.2**	**11.0**	**10.4**	**12.1**	**12.2**

Source: International Labour Organization Modelled Estimates and Projections (ILOEST).
Note: Unemployment rates for both sexes age 15 and over.

I. Macroeconomic performance

This subsection analyses the performance of key macroeconomic indicators that affect macro-stability in the Caribbean in 2021.

A. Fiscal and debt

1. Fiscal

The recovery in economic activity was reflected in improved government finances. The region's fiscal deficit narrowed from 6.5% of GDP in 2020 to 1.8% of GDP in 2021. This was mainly influenced by the goods producers, which had experienced the larger increase in their deficits in 2020. In these economies, the deficit improved from 10.5% of GDP to 3.3% of GDP, with all four economies managing to lower their deficits. The turnaround in Suriname was significant with the deficit contracting by 13.5 percentage points to 2.3% of GDP. This was mainly influenced by a significant fiscal consolidation effort as "prior actions" for a 36-month IMF extended fund facility. Direct tax receipts more than doubled, while there was a modest increase in expenditure.

In Guyana, the deficit declined by 6.6 percentage points to 1.3% of GDP. The country benefited from windfall revenues from the petroleum sector and recovery in the non-oil sector, which bolstered revenues and offset higher spending on infrastructure and other activities. Meanwhile, Belize benefited from debt relief of USD200 million in a debt-for-nature swap that restructured its Superbond debt. To reinforce the adjustment, government expenditure also fell by over 13%, reflecting reduced capital outlays. Trinidad and Tobago registered a more modest, 2.5 percentage points decline in its fiscal deficit to 9.1% of GDP, underpinned by a marginal (1.7 percentage points) increase in revenue, alongside a 0.4 percentage point fall in expenditure. This reflected a slight recovery in revenues from the energy and non-energy sectors.

However, the fiscal deficit improved by 3.8 percentage points in the service-based economies. The largest reductions in the deficit occurred in St. Kitts and Nevis (13.6 percentage points), Montserrat (8.8 percentage points), Grenada (6.6 percentage points), and Antigua and Barbuda (4.4 percentage points). Fiscal recovery in St. Kitts and Nevis and Grenada was bolstered by inflows from their Citizen by Investment (CBI) programmes and a modest recovery in tourism activity. Montserrat's deficit contracted owing to increased financial support from the United Kingdom to mitigate the effects of the pandemic.

Jamaica registered a marginal (0.5 percentage point) contraction in its deficit as the government returned to consolidation with the modest improvement in the economy. In Antigua and Barbuda, the deficit declined by 4.4 percentage points. The Bahamas' deficit expanded by 4.8 percentage points, reflecting a fall in revenues amidst an increase in spending to cope with the pandemic and for continued reconstruction works following Hurricane Dorian in 2019.

Table 4
Fiscal balance, 2018–2021
(Percentage of GDP)

	2018	2019	2020	2021
Anguilla	0.1	1.1	1.5	10.1
Antigua and Barbuda	-3.2	-3.8	-5.5	-1.1
Bahamas	-3.2	-1.7	-8.2	-13.0
Barbados	-0.3	3.6	-4.8	-1.9
Belize	-0.7	-3.3	-11.3	-5.2
Dominica	-6.7	-15.1	0.6	
Grenada	4.9	5.0	-4.5	2.5
Guyana	-2.7	-2.8	-7.9	-1.3
Jamaica	1.2	0.0	-1.3	-0.8
Montserrat	-6.4	-13.0	-11.2	-2.4
Saint Kitts and Nevis	3.0	0.6	-6.1	7.4
Saint Lucia	-1.8	-2.2	-8.8	-10.6
Saint Vincent and the Grenadines	-1.6	-3.5	-6.4	-2.8
Suriname	-9.9	-18.6	-11.2	2.3
Trinidad and Tobago	-3.6	-2.6	-11.6	-9.1
The Caribbean	**-2.1**	**-3.8**	**-6.5**	**-1.8**
Goods producers	**-4.2**	**-6.8**	**-10.5**	**-3.3**
Service producers	**-1.3**	**-2.6**	**-5.0**	**-1.2**

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

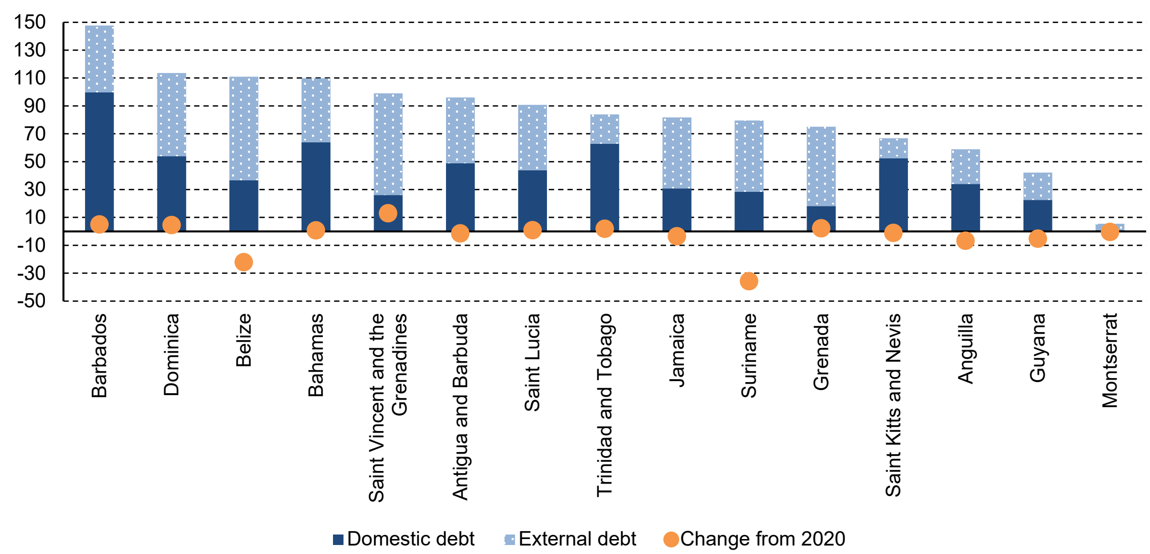
2. Debt

Following a spike in public debt in 2020 when significant capital and current outlays were undertaken to cope with and mitigate the impacts of the pandemic, debt moderated in 2021. The average debt for the region contracted by 3.2 percentage points, from 87.3% of GDP in 2020 to 84.1 of GDP in 2021 (see figure 1 below).

Partly reflecting the reduced deficit, public debt declined by 15.3 percentage points in the goods producers. Meanwhile debt rose marginally by 1.1 percentage points in the service producers. Among the goods producers, Suriname and Belize had the largest reductions in debt. Suriname's debt declined by 35.7 percentage points due to a substantial increase in nominal GDP, owing to inflation in the economy. In debt restructuring negotiations, Suriname has secured a standstill on payments, which has helped its fiscal position and is also trying to secure a favourable restructuring of its debt, with a significant haircut that takes account of the constraints in the economy. Meanwhile, Belize's debt contracted by 22.1 percentage points on account of significant debt relief under its debt-for-nature swap with the Nature Conservancy that provided it with relief of US$200 million. Guyana's debt contracted by 5.2 percentage points as significant oil revenues provided fiscal space and limited the need to borrow to finance government operations.

Among the service producers, debt increased by 12.9 percentage points to 99.1% of GDP in Saint Vincent and the Grenadines, reflecting higher spending to deal with the pandemic and the effects of the volcanic eruption and Hurricane Elsa. Barbados' debt increased by 4.9 percentage points to 111.0 % of GDP, owing to spending related to the pandemic and clean-up of ash from the La Soufriere volcanic eruption. By contrast, public debt declined by 6.7 percentage points in Anguilla, as amortizations or repayments exceeded new disbursements during the year. Debt contracted by 3.6 percentage points to 81.7% of GDP in Jamaica, as a firm recovery allowed government to reduce its borrowing in 2021.

Figure 1
Domestic and external public debt, 2021
(Percentage of GDP)



Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

B. Monetary policy, domestic credit and inflation

This subsection will explore issues relating to the nature and focus of monetary policy-setting in Caribbean economies in the first half of 2021, as well as trends in money supply, domestic credit and inflation.

In 2021 monetary policy was largely accommodative throughout the Caribbean, following a year in which several economies implemented expansionary monetary policy in order to increase liquidity in response to the sudden economic restrictions required by the pandemic. In 2020 the central banks of Barbados, Belize, the ECCU, Guyana, Suriname and Trinidad and Tobago all reduced their policy rates or reserve ratios, while The Bahamas and Jamaica left their instruments unchanged. In 2021, all Caribbean monetary authorities left their main monetary instruments unchanged.

In Belize the Central Bank Act was amended to increase the limit of direct advances to the central government at any one time from 8.5% of the previous year's recurrent revenues to 12.0%. In Jamaica, while the signal rate was kept constant at 0.5%, the policy interest rate was increased by 1 percentage point to 1.5% in October. The increase was due to increased international commodity prices and freight rates having a pass through to domestic prices. The Central Bank of Suriname (CBvS) kept the reserve requirement ratio unchanged at 39% in 2021, but also introduced open market operations as another monetary policy tool to affect the money supply. In addition, the CBvS signed a memorandum of understanding with the Ministry of Finance to formalize the halting of monetary financing of the government's budget.

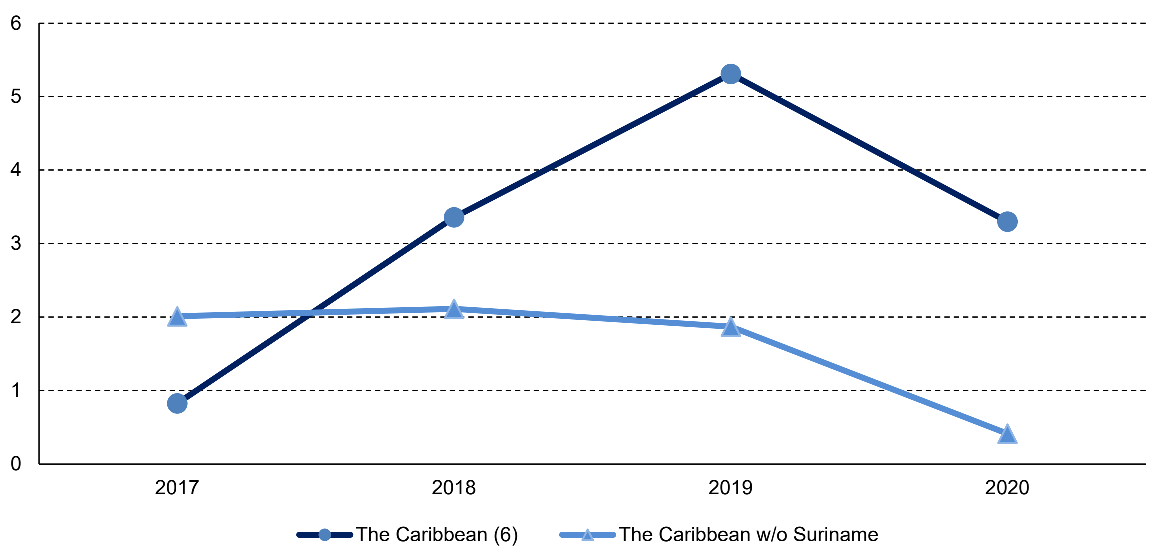
1. Private sector credit

Data on public sector credit in 2020 and 2021 was not available for the six ECCU countries, and for Jamaica in 2021. As such this section analyses just the six remaining economies for which data was available. Growth in credit to the private sector grew by 3.3% in the first few months of 2021, following growth of 5.3% in 2020. Credit to the private sector contracted in The Bahamas and Barbados in 2021, by 0.9% and 1.4%, respectively. The decline in the former was due mostly to higher loan delinquency and uncertainty, while in the latter loan repayments increased more than new lending.

For the rest of the Caribbean credit to private sector grew sluggishly, reflecting depressed business credit and consumer lending. Most of the growth came from Suriname, where private sector credit expanded by 17.7% from December 2020 to September 2021, largely due an expansion in the money supply as a result of the high inflation they experienced.

Credit to the public sector grew by 5.2% in 2021. The largest expansions were seen in the Bahamas (8.3%), Guyana (13.6%) and Trinidad and Tobago (11.3%), while contractions were seen in Belize (-3.4%) and Suriname (-2.2%).

Figure 2
Credit to the private sector
(Percentage growth)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

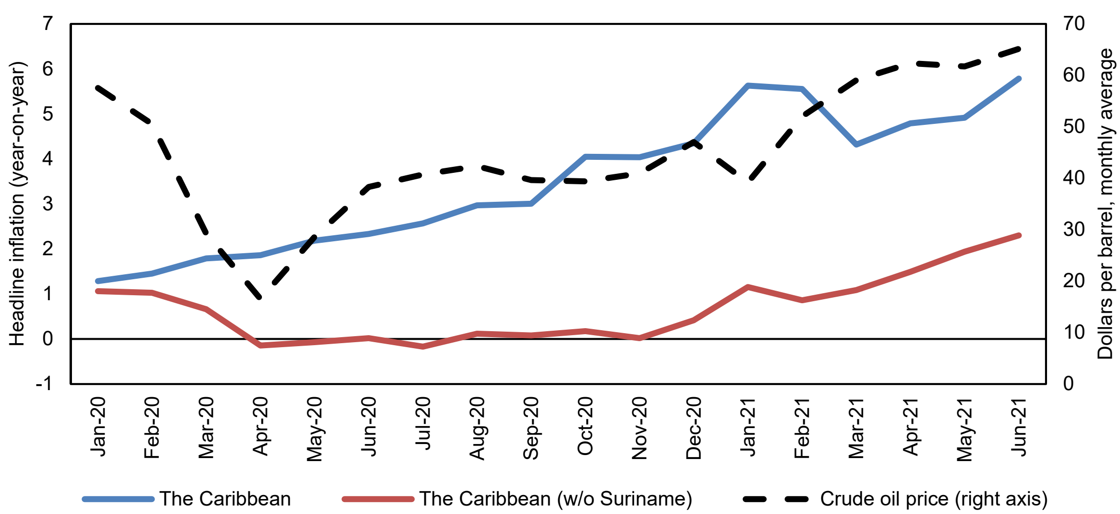
2. Inflation

For most of the Caribbean, prices stabilized in the second half of 2020 after falling in the first half of the year. Suriname was the chief exception and experienced significant inflation in the second half of 2020 and the first half of 2021.

Due to a fall in prices, inflation in the Caribbean subregion (excluding Suriname) hovered around 0% over the second half of 2020. Most economies in the ECCU experienced deflation over this period. However, prices began rising steadily over the first six months of 2021. Inflation grew from 0.4% in December 2020 to 1.2% in January 2021 and then to 2.3% by June. Prices had fallen in early 2020 in line with depressed energy prices and reduced economic activity as a result of the pandemic. In late 2020 and early 2021 many countries began slowly reopening their economies; business activity and tourist arrivals increased, leading to higher prices. Prices began rising more rapidly by the middle of 2021, as ongoing supply chain issues resulting from the pandemic's broader effects increased prices globally.

Inflation in Suriname was much higher than the rest of the Caribbean, stemming from a number of macroeconomic challenges. Foremost among them were a USD cash shortage and a move to a freely floating exchange rate that saw the US dollar exchange rate increase from 7.520 SRD to 1 USD in June 2020 to 21.274SRD to 1 USD by June 2021. In July 2020, Suriname's inflation was 38.2%, almost 34 percentage points higher than the same month in 2019. It, then, increased to 63.8% in January 2021 before falling to 43.6% in May 2021. In Jamaica, where the central bank runs an inflation targeting regime, year-on-year changes in the consumer price index averaged 4.9% over the period June 2020 to June 2021. In the following months, however, inflation ticked up to 8.5% by September 2021.

Figure 3
Inflation and West Texas intermediate oil prices, June 2020–June 2021



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

C. External sector

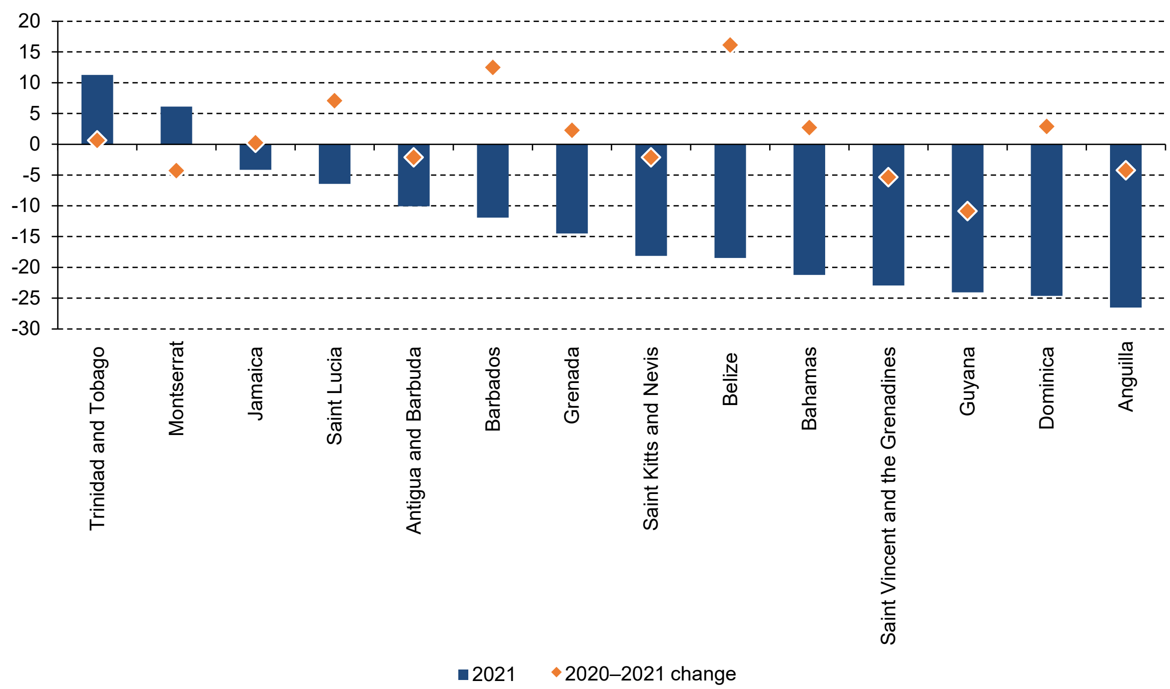
1. Current account

The average current account balance in the Caribbean excluding Suriname marginally widened to -12.4% of GDP in 2021 relative to -11.3% of GDP in 2020 (figure 4). The performance across the subregion was mixed, however, the majority of economies (nine out of fourteen) reported some degree of deterioration in the current account position by the end of 2021. A major driver of this deterioration was merchandise trade imbalance from rising commodities prices resulting from supply chain instability triggered by the COVID-19 pandemic. Among the 14 economies assessed, Trinidad and Tobago had both the largest current account surplus and most sizeable improvement in their current account position (narrowed by 17.6 percentage points to a surplus of 11.3% of GDP). Guyana, on the other hand, experienced the greatest expansion in their current account deficit (widened by 10.8 percentage points to 24.1% of GDP). The Dominican economy had the largest current account deficit (24.6% of GDP) among all economies despite a year-on-year improvement in its current account deficit.

For the service producing economies, the current account deficit widened marginally by 1.1 percentage points to 14% of GDP. For most of the tourism dependent economies, increased economic activity as COVID-19 restrictions were slowly lifted combined with rising energy prices led to an increase in merchandise imports. At the same time, exports decreased, and the overall effect was a greater merchandise trade imbalance. Further, for some tourism dependent economies, the recovery in travel receipts was slower than expected. There were, however, some notable exceptions such as the economies of Saint Lucia, Dominica, The Bahamas, and Grenada, where recovery in tourism earnings bolstered the services account sufficiently to realize an improvement in the overall current account position.

The performance among the goods producing economies varied with differing factors driving the respective outcomes. Among the three goods producing economies with available data, the current account deficit narrowed slightly from 3.6% of GDP in 2021 to 5.4% of GDP in 2020. The observed improvement was solely fueled by a strengthening in the current account position for the Trinidad and Tobago economy. In particular, there was an improvement in both the merchandise imports and exports relative to 2020 as capital imports for energy sector projects increased, international commodity prices rose, and external demand improved. This improvement was, however, tempered by a widening of the current account deficit in the Guyanese economy. This was due to a decline in the merchandise trade surplus from importation of the Liza Unity Floating Production Storage and Offloading (FPSO) vessel and higher net payments of services. In the case of Belize, the widening current account deficit stemmed from a worsening merchandise trade deficit which outweighed the rebound in service export revenues.

Figure 4
Current account balance, 2021
(Percentage of GDP)



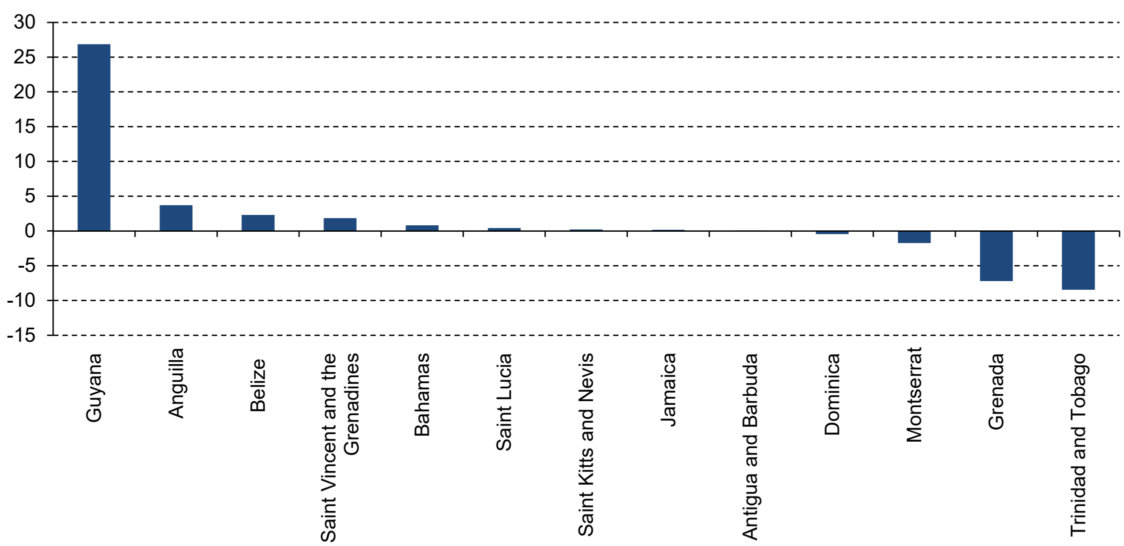
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

As the service producing economies continue to further relax COVID-19 restrictions, the service account is likely to continue to improve. However, the goods balance will continue to be affected by high energy prices impacted by the ongoing Ukraine-Russia war, rising commodity prices and recessionary pressures in major tourism source markets. As Guyana continues to build its energy sector, the merchandise trade balance will be affected. For Trinidad and Tobago, its current surplus will be impacted by future energy prices. While the balance of payment current account deficit across the Caribbean is likely to improve there are several factors that can negatively impact this improvement by the close of 2022.

2. Foreign direct investment

Foreign direct investment (FDI) inflows for the Caribbean increased in 2021 to US$383.3 (table 5); up from US$304.3 in 2020. The average FDI inflows, as a per cent of GDP, also increased by 1.9 percentage points to 9.1% in 2021 (figure 5).

Figure 5
Year-on-year change in foreign direct investment inflows, 2021
(Percentage of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Among goods producing economies, the average FDI inflows as a per cent of GDP increased by 10.9 percentage points to 22.9%. This substantial uptick primarily resulted from investments in the energy sector in the Guyanese economy. In Guyana, FDI inflows increased by 26.9 percentage points to reach 64.8% of GDP. Alternatively, Trinidad and Tobago experienced the largest decline among all Caribbean economies, dropping by 8.5 percentage points to -3.5% of GDP. This was largely due to the slowdown in the energy sector related to unplanned maintenance at certain energy facilities and the closure of some petrochemical plants. For the service producing economies, FDI inflows declined marginally by 0.2 percentage points to 5.0% of GDP stemming from a slower than expected rebound in the tourism sector and supporting industries for some economies. FDI is expected to improve in 2022, given the sizeable pickup in economic activity. Risks to a slowdown in FDI inflows for the subregion are the ongoing Ukraine-Russia war, ongoing COVID-19 disruptions, and a potential slowdown in global economic activity.

Table 5
Year-on-year change in foreign direct investment inflows, 2021

	FDI inflows, 2021		Year-on-year change
	(percentage of GDP)	*(US$ millions)*	*(percentage of GDP)*
Anguilla	13.9	36.8	3.7
Antigua and Barbuda	1.7	24.0	0.1
Bahamas	5.2	541.0	0.8
Belize	7.1	127.8	2.3
Dominica	4.5	23.9	-0.5
Grenada	6.8	72.7	-7.2
Guyana	64.8	4 468.1	26.9
Jamaica	1.8	311.5	0.2
Montserrat	-1.3	-0.9	-1.7
Saint Kitts and Nevis	5.5	49.3	0.2
Saint Lucia	1.3	23.5	0.4
Saint Vincent and the Grenadines	10.9	83.0	1.8
Trinidad and Tobago	-3.5	-777.6	-8.5
The Caribbean	**9.1**	**383.3**	**2.0**
Goods Producers	**22.8**	**1 272.8**	**10.9**
Service Producers	**5.0**	**-324.9**	**-0.2**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Data excludes Barbados and Suriname.

II. Conclusion

Economic performance in the Caribbean began to improve in 2021, following a year of sharp contractions resulting from the COVID-19 pandemic in 2020.While the waves of infections continued into 2021, many countries began to relax restrictions as vaccines became available. Visitors returned to the tourism-based economies, though still at numbers far below pre-pandemic levels.

While an economic recovery has begun in 2021, it is clear that it is much slower than the abrupt disruption in 2020. GDP growth rebounded to 4.8% (and 3.1% excluding Guyana), but not all the other macroeconomic variables showed a similar recovery. The average unemployment rate rose by 2 percentage points in 2020 and in 2021 it rose again by 0.1 percentage points. The current account deficit widened slightly in 2021, but the average FDI inflows increased. On the other hand, the fiscal deficit narrowed by 2.6 percentage points of GDP and public debt fell slightly on average (but grew among the service producing economies).

For 2022 the growth outlook is positive. The subregion will grow by 11.1% with all economies expected to post positive growth. Guyana will continue to be the major contributor to the rebound as the production from a second FPSO vessel will almost triple their production capacity. Excluding Guyana, growth will be 6.1%. While several other countries are predicted to experience a fairly impressive rebound, many economies will take a few more years to surpass 2019 GDP levels. Downside risks to growth include a continued rise in inflation stemming from global supply chain issues and rising commodity prices, as well as potential further dampening in global economic activity.

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Annex

Annex 1
Country Notes

Bahamas

Economic performance in the Bahamas continues to be affected by the coronavirus disease (COVID-19) pandemic and the effects of Hurricane Dorian. As of 22 November 2021, the Bahamas had recorded 29,501 cases and 671 deaths owing to the disease. Nevertheless, the economy posted a modest recovery in 2021 compared with 2020, stemming from a gradual improvement in its mainstay, the tourism sector, supported by various FDI-financed construction projects in tourism and post-hurricane reconstruction works. The pickup in stayover visitor arrivals in 2021 was expected to ease the high rate of unemployment seen in 2020, but apparently that was not the case. Inflation rose to 0.9% from 0.88% in the previous year, driven by higher prices of fuel and some other products. The fiscal stance was fairly expansionary in 2020/21 relative to 2019/20. The fiscal deficit almost doubled, rising from 7.0% of GDP to 13.1% of GDP, representing a 66.1% increase in nominal terms. This stemmed from contingency spending to address COVID-19 and the impact of Hurricane Dorian amidst a collapse in revenue owing to the near shutdown of the economy for an extended period because of the pandemic. The external position worsened, with the balance-of-payments current account deficit widening from 19.5% of GDP at the end of the third quarter of 2020 to 20.9% of GDP at the end of the third quarter of 2021. This was underpinned by a significant widening of the trade deficit, which offset the improvement in the services balance stemming from the recovery in tourism.

Economic policy remained focused on containing the impacts of COVID-19 and nurturing a recovery in tourism as a platform for growth. The fiscal stance was fairly expansionary in 2020/21. Marked by a 10.3% contraction in revenue alongside an 11.1% increase in spending, the fiscal deficit widened to 13.1% of GDP in 2020/21, from 7.0% of GDP in 2019/20. With a large part of the economy grinding to a halt owing to COVID-19-related lockdowns, curfews and border closures, tax revenue plummeted. Valued added tax (VAT) receipts declined by 15.7% to 741.7 million Bahamian dollars (B$). Meanwhile, the hike in spending reflected a 12.9% increase in recurrent spending, including allocations for pandemic relief for households and businesses. By contrast, capital expenditure declined by 0.7% to B$ 365.9 million. The recent budget has projected the fiscal deficit to fall from 11.3% of GDP in 2020/21 to a fiscal deficit equivalent to 7.7% of GDP in 2021/22. With the modest recovery, revenue is expected to increase by 27.5% to B$ 2.2 billion from the low base last year, buoyed by higher tax proceeds and non-tax revenue. Public sector debt expanded to 98.2% of GDP at the end of the first quarter of 2021/22, compared with 94.3% of GDP in the year-earlier period.

With the modest recovery in activity in 2021, the fiscal deficit narrowed to B$ 153.5 million in the first quarter of 2021/22, compared with the year-earlier period. Total revenues rebounded strongly, posting growth of 90.4% to B$ 572.8 million, buoyed by VAT receipts. This far outweighed the 12.4% increase in expenditure, as the government maintained outlays to cope with the pandemic and to promote economic recovery.

Monetary policy remained neutral in 2021, with the central bank keeping its discount rate at 4.0%. In the first nine months of the year, the banking sector experienced significant growth in liquidity, reflecting inflows from external borrowings by the government. Excess liquid assets expanded by B$ 193.8 million, outpacing the B$ 186.8 million increase in the year-earlier period. Domestic credit grew by B$ 184.4 million, surpassing the B$ 79.7 increase in 2020. Credit growth was associated with increased lending to the government, whose borrowing rose by B$ 217.6 million, up from B$ 91.9 million in the previous year. Owing in part to higher loan delinquency and uncertainty, credit to the private sector continued to decline, by B$ 67.7 million, underscored by a sharp fall in consumer credit. Reflecting the impact of the pandemic, bank credit quality has worsened with non-performing loans (NPLs) rising to 9.1% from 8.2% in the year-earlier period.

The balance-of-payments current account deficit expanded from 19.5% of GDP in 2020 to 20.9% of GDP in 2021. The trade deficit widened from 15.6% of GDP to 23.7% of GDP, driven mainly by an increase in imports of other goods and higher international fuel prices. Imports expanded from 19.1% of GDP to 28.6% of GDP, while exports rose from 3.6% of GDP to 4.9% of GDP. The services surplus rebounded, up from 1.4% of GDP to 10.1% of GDP as visitor arrivals by air increased by 56.8%, a turnaround from the contraction of 71.4% in 2020 at the height of the pandemic. This helped to offset the 84.7% decline in the lower value added sea arrivals component. Net payments on the primary income account increased from 4.0% of GDP to 5.3% of GDP, reflecting higher investment income outflows. The capital and financial account surplus contracted sharply from 23.4% of GDP in 2020 to 3.8% of GDP in 2021, owing to a significant decline in loan inflows and portfolio investments. However, FDI rose from 2.2% to 2.5% of GDP, reflecting an increase of US$ 37.8 million. External reserves declined by US$ 36.4 million to US$ 2.717 billion, covering 11.6 months of merchandise imports.

The economy started to normalize in 2021with growth of 2.3%, following the steep 14.5% contraction in 2020 at the height of the pandemic. Growth was driven by a rebound in the dominant tourism industry, which experienced a near collapse in activity in 2020 owing to border closures and shutdowns to address COVID-19 before vaccines were available. Total visitor arrivals declined by 45.6% in the first quarter of 2021, falling from 1,739, 522 visitors to 945,859 visitors. This was a significant improvement on the 75.2% contraction in 2020 owing to the pandemic. The high value added stopover segment recovered to grow by 54.5% relative to the first quarter of 2020. Nevertheless, cruise passenger arrivals declined by 81.5%, as most visitors remained reluctant to undertake cruises owing to higher risks of being infected in an enclosed environment. The economy is projected to rebound with growth of 8.5% in 2022, as tourism continues to recover with the expected easing of the effects of the pandemic. Tourism is expected to be supported by FDI-related construction and activity in the offshore financial services sector. The pickup in growth is expected to relieve the unemployment situation, but inflation is projected to remain above trend, owing in part to supply chain disruptions and higher average import costs.

Barbados

In 2021, the macroeconomic landscape for the Barbadian economy was affected by slower than expected containment of the coronavirus disease (COVID-19), owing to sporadic spikes, a situation that was exacerbated by climatic events, resulting in weaker than expected economic improvement relative to 2020. Increased expenditure on the response to the COVID-19 pandemic and because of major environmental events resulted in a widening of the fiscal deficit to 2.9% of GDP during the first six months of fiscal year 2020/21. Nevertheless, Barbados was able to achieve its targets under the International Monetary Fund (IMF) Extended Fund Facility (EFF). Furthermore, in 2021, Barbados was removed from the European Union tax blacklist, pending a supplementary review by the Global Forum on Transparency and Exchange of Information for Tax Purposes. The unemployment rate improved to 12.4% with the pickup in tourism activities and overall business activities. Although year-on-year inflation fell to 2.2% at September 2021, it continues to be affected by rising global oil prices and freight costs. Economic growth for 2021 is expected to have improved slightly to 1.5% as business activity continued to strengthen, albeit more slowly than anticipated. In 2022, barring any major unforeseen external factors or events, with further reopening of the domestic economy and major international source markets, economic growth is forecast to jump to 7.5%.

The lingering impact of the pandemic and unforeseen environmental events hampered the fiscal management efforts of the Government of Barbados in the 2020/21 fiscal year. As a consequence, revenue stood at 29.2% of GDP in the first six months of the 2020/21 fiscal year, down from 31.1% of GDP for the same half of the previous fiscal year. However, expenditure expanded marginally to 32.0% of GDP in the first six months of the 2020/21 fiscal year relative to 31.7% of GDP for the first six months of the 2019/20 fiscal year, as the Government focused on managing the ongoing impact of the pandemic and the fallout from the volcanic ash and the passage of Hurricane Elsa. As a result, the fiscal deficit was 2.9% of GDP for the first six months of the 2020/21 fiscal year relative to a deficit of 0.6% of GDP for the same period of 2019/20. Nevertheless, Barbados continues to make progress in implementation of the Barbados Economic Recovery and Transformation (BERT) plan, which focuses on promoting much needed fiscal sustainability, increasing international reserves and improving growth through structural reform. In spite of the pandemic, Barbados was able to meet almost all its targets relating to the IMF EFF. The exception was the passage of the Fair Credit Reporting Act which is expected to happen by the end of 2021. In consideration of increased expenditure related to the pandemic and unplanned spending to address climate change events, the primary balance target for the 2021/22 fiscal year was adjusted to -1% of GDP. By the close of 2021, Barbados is estimated to have withdrawn a total US$ 465 million through the EFF programme. Gross public debt increased to 146.1% of GDP in September 2021, up 14.2 percentage points on the same month of 2020. In February 2021, the European Council moved Barbados from their European Union list of non-cooperative jurisdictions for tax purposes to a state of play document, pending the outcome of a supplementary review by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Gross international reserves increased to US$ 1.433 billion, representing 41.7 weeks of import cover (well above the 12-week benchmark) in September 2021, up 40.8% compared to the same month in 2020. This increase in reserves was primarily driven by a special drawing rights (SDR) allocation of US$ 261.6 million by IMF and multilateral borrowing of US$ 249.0 million in 2021. Despite the rise, a steep reduction in travel credits, increased foreign exchange purchases by banks as economic activity picked up, and Government external debt service payments negatively impacted gross international reserves. Reduced earnings from tourism services hampered current account performance in 2021, with the current account deficit widening to 14.4% of GDP in September 2021 relative to 3.2% of GDP in the same month of 2020. In particular, exports of goods fell while imports of goods expanded with the increase in economic activity.

The impact of COVID-19 restrictions spilled over into 2021, such that economic activity contracted by 3.2%, with a slower than expected improvement relative to the substantial contraction of 17.6% in 2020. Activity in the tourism sector improved in the second and third quarters of 2021 as access to COVID-19 vaccines in key source markets strengthened and restrictions were eased. However, tourism arrivals were 65% lower in the first nine months of 2021 relative to the same period in 2020. There was some improvement in non-traded sectors, which grew by 2.0% from September 2020 to the same month of 2021, owing to increased business activity, however, activity in the construction subsector had declined by 3.0% in September 2021 relative to September 2020. Although manufacturing was affected by heavy ashfall, output in the sector increased by 4.8% in September 2021 relative to September 2020 as domestic demand for food and beverages intensified and increased export demand for rum drove higher production.

The unemployment rate stood at 12.4% at the end of September 2021, relative to 17.6% in the same month of 2020. This improvement was also reflected by a 3.4 percentage point increase in the labour force participation rate to 62.3%. Unemployment claims declined substantially as activity in the tourism sector picked up and individuals reached maximum unemployment benefits. In the public sector, there was an increase in wages and salaries, as the Government needed temporary staff to support management of COVID-19 and climate events.

The twelve-month moving average rate of inflation stood at 2.2% at the end of September 2021 relative to 4.3% in September 2020. Muted economic activity owing to COVID-19 restrictions appears to have been a factor in the year-on-year decline. However, rising international oil prices and freight costs have affected overall prices.

Belize

Conditions in the Belizean economy have improved relative to 2020. After contracting by 14.0% in 2020, the economy grew by 3.8% in 2021, representing a partial reversal of this major slump in activity. The recovery reflected an uptick in activity in key sectors, including agriculture, construction, manufacturing and tourism. Unemployment was expected to decline with the pick-up in activity, especially in tourism and construction. With growth in demand, inflation rose to 2.5% from 0.8% in 2020. The fiscal position improved significantly in 2021 with the fiscal deficit declining from 10.5% of GDP in 2020 to 4.0% of GDP in 2021. This stemmed from a sharp fall in spending as government sought to contain growth in debt, reinforced by a modest growth in revenues. The external position improved with the current account deficit narrowing from 7.5% of GDP in 2020 to 5.6% of GDP in 2021. This mainly reflected a recovery in tourism receipts with the partial reopening of the sector.

In 2021, broad economic policy was focused on restructuring public debt and nurturing economic recovery amidst an easing of the worst effects of the pandemic. In September 2021, Belize was able to restructure its Superbond debt in the amount of UD$552.9 million. Financing will be provided through blue bonds and Belize is expected to secure a debt relief of US$200 million. The fiscal stance was contractionary in 2021, with the deficit halving from 10.5% in 2020 to 4.0% in 2021. This was mainly influenced by a 13.3% fall in expenditure, linked to a 42.0% decline in capital spending as government made the adjustment on the capital side. Total revenue grew by 3.6%, buoyed by the modest improvement in tourism and other sectors as the economy re-opened for business. Public sector debt decreased from 133.1% of GDP in 2020 to 111.0% of GDP in 2021, reflecting lower domestic and external debt ratios.

The monetary stance remained neutral with the statutory liquid asset and cash reserve requirements held constant. Nevertheless, in March, the Central Bank Act was amended to increase the limit of direct advances to Central Government at any one time from 8.5% of the previous year's recurrent revenues to 12.0%. Monetary developments were marked by a 9.2% expansion in the broad money supply in 2021, reflecting an increase in net foreign assets, owing to external debt payment deferrals, higher export receipts and apportionment of SDRs under the IMF DSSI programme. Growth in domestic credit slowed from 5.9% in 2020 to 0.4% in 2021. This was linked to slower growth in credit to the public sector as it sought to retrench debt while credit to the private sector grew by 2.6%.

The balance of payments current account deficit narrowed from 9.9% of GDP to 5.6% of GDP in 2021. Developments were favourably influenced by a modest recovery in tourism with the partial reopening of the sector and higher remittances. Net services inflows expanded by 30.9% to US$334.2 million. The services surplus was only partly offset by the trade deficit, which widened to 7.8% of GDP, with growth in imports outpacing exports. Exports increased by US$116.8 million, but were surpassed by a US$151.3 million growth in imports. The surplus in the financial account contracted by 20.5% to US$134.5 million. Net FDI increased by US$112.7 million, buoyed by the resumption of investment in tourism and other sectors. International reserves declined from US$392.5 million to US$309.4 million, covering 2.9 months of imports.

The economy grew by 3.8% in 2021, but this was from the base of the severe 14.0% contraction in 2020. The recovery was underpinned by growth in the three main sectors. The primary sector expanded by 9.6%, bolstered by a dynamic 26.0% increase in sugarcane deliveries, along with a pickup in banana production and marginal growth in fisheries. The secondary sector grew by 2.7% on the backs of higher manufacturing output, which was boosted by sugar, molasses and beverage production. This was supported by a pickup in construction works that were postponed during the heat of the pandemic in the previous year. The services sector registered growth of 2.7%, reflecting in part a welcomed recovery in tourism. High value-added stayover arrivals almost doubled, after the major decline in 2020. The hotels and restaurant subsector was projected to grow by 60.9%, but this was a recovery from the sharp decline and have not returned to pre-COVID-19 levels. Inflation increased from 0.1% in 2020 to 2.5% in 2021 propelled by higher domestic food and imported fuel prices that were only partly dampened by lower costs of clothing and accommodation. Unemployment was expected to decline from the high rate of 13.7% in 2020, with the recovery in activity, especially in tourism and construction.

The economy is projected to grow by 6.2% in 2022 on the backs of a firmer recovery in tourism and strong growth in the secondary sector. The services sector is expected to grow by 6.4% buttressed by a 36.2% increase in stayover visitor arrivals and a strong recovery in cruise passenger arrivals. This will have a positive impact on the wholesale and retail trade and transport and communication sectors. Secondary activity will be buoyed by higher manufacturing output. As government continues its consolidation efforts, the overall fiscal deficit is expected to further narrow to 3.2% of GDP, reflecting a fall in expenditure from 32.1% of GDP in 2021 to 30.9% of GDP in 2022. This will outweigh the fall in revenue and grants from 29.1% of GDP to 27.7% of GDP. The balance of payments current account deficit is projected to widen from 5.6% of GDP in 2021 to 6.3% of GDP in 2022, reflecting a worsening trade balance as imports pick up with growth in activity.

ECCU

The weighted average growth rate for the member economies of the Eastern Caribbean Currency Union (ECCU)[1] is expected to amount to 1.64% in 2021. Four of these countries —Antigua and Barbuda, Dominica, Grenada and Saint Lucia— are expected to post positive growth rates, while negative growth rates are expected for Saint Kitts and Nevis and for Saint Vincent and the Grenadines. The growth recorded by the first four countries mentioned above signals the start of a recovery in economic activity as pandemic-related restrictions are lifted. The vaccination drives implemented by these countries will play a key role in revitalizing the tourism sector and averting the need for nationwide lockdowns in the near future. The negative growth rate expected for Saint Kitts and Nevis reflects the lingering effects of the disruptions caused by the outbreak of the coronavirus disease (COVID-19) and weakened demand. The decline observed in economic activity in Saint Vincent and the Grenadines is attributable both to the disruptions caused by the pandemic and to the volcanic eruption of April 2021. The ECCU economies are projected to attain a GDP growth rate of 7.8% in 2022.

The ECCU region ran a fiscal deficit of 804.06 million Eastern Caribbean dollars (EC$) (6.15% of GDP) in 2021. The fiscal deficits of Antigua and Barbuda, Dominica, Saint Lucia, and Saint Vincent and the Grenadines reflect both a decline in government revenue and the increase in government expenditure required to address both the public health challenges and economic fallout associated with the pandemic. In contrast, Grenada and Saint Kitts and Nevis managed to run surpluses as they both obtained additional non-tax revenue from their citizenship by investment programmes.

As a consequence of the ECCU members' weakened fiscal position, their total public debt had climbed from EC$ 14,577,830,000 (87.26% of GDP) in 2020 to EC$ 15,132,530,000 (88.44% of GDP) by June 2021. A closer examination of the debt figures shows that total public debt in Eastern Caribbean dollars increased in all the ECCU countries, with the exception of Saint Kitts and Nevis, between 2020 and 2021. This added debt was taken on in order to finance emergency public expenditure during the pandemic. While, from an intertemporal perspective, ECCU public debt obligations are still largely serviceable, from a pragmatic perspective —given their level and the fact that they are on the rise— these obligations are a cause of concern for decision-makers, as well as the international community.

ECCU monetary policy was accommodative in 2021, as it had been in 2020 as well. This stance has been adopted in an effort to mitigate the economic effects of the COVID-19 pandemic and spur an economic recovery. As part of this effort, the Eastern Caribbean Central Bank is leaving the discount rate unchanged at 2% after lowering it from 6.5% in April 2020, which was the first ECCB rate cut since 2003. A complete ECCU monetary dataset for 2021 was unavailable at the time of publication.

The year-on-year ECCU headline inflation rate was a moderate 1.49% in 2021 following a negative year-on-year inflation rate of -0.21% in 2020. This low rate of inflation in the ECCU countries is noteworthy, given the global supply chain bottlenecks and inflationary pressures triggered by the

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[1] Refers to the six ECLAC Caribbean ECCU countries: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

pandemic. In addition, the approximately 700% jump in international freight rates seen between 2020 and 2021 is causing countries to start importing inflation. As a precautionary measure and as a hedge against inflation, ECCU authorities may therefore attempt to increase aggregate supply wherever possible, especially in the case of food products, in order to ensure that essential products are available to the population at affordable prices.

Overall, the Union's international trade position improved somewhat in 2021. Its trade deficit declined from - US$ 1.691 billion (- EC$ 4.565 billion) in 2020 to - US$ 1.639 billion (- EC$ 4.425 billion) in 2021, thanks to a reduction in the value of imports from US$ 1.915 billion (EC$ 5.170 billion) in 2020 to US$ 1.865 billion (EC$ 5.034 billion) in 2021. Additionally, the value of exports edged up to US$ 225.61 million (EC$ 609.14 million) in 2021 from US$ 224.10 million (EC$ 605.08 million) in 2020. This marginal contraction of the trade deficit was ultimately a consequence of pandemic-related restrictions, such as social distancing measures and the prohibition of mass gatherings, that led to social displacement and dampened consumer demand, thereby precipitating a decline in imports.

The nominal exchange rate between the Eastern Caribbean dollar and the United States dollar remained unchanged at EC$ 2.7 to US$ 1, as the Eastern Caribbean Central Bank's leading policy objective continued to be to maintain a fixed exchange rate regime. In contrast, the real exchange rate jumped by 46%, reflecting the increase in inflation in 2021 as compared to the low rate seen in 2020.

Several countries reopened their doors to tourists. Antigua and Barbuda reopened its borders for international tourism on 4 June 2020, and Dominica did so on 7 August 2020. Grenada reopened its borders on 15 July 2020 for regional travel and on 1 August 2020 for international travel. Saint Kitts and Nevis reopened on 31 October 2020, Saint Lucia did so on 4 June 2020, and Saint Vincent and the Grenadines did so on 1 July 2020. The countries introduced the standard COVID travel protocols and required arriving travellers to show proof of a negative COVID-19 test result and to submit to a mandatory health screening. As countries rolled out their vaccination programmes, the travel protocols were eventually modified to allow only vaccinated persons to enter.

Although countries had already begun to reopen their tourism sectors, arrivals in the first half of 2021 were still lower than they had been in the first half of 2020. Antigua and Barbuda posted a year-on-year decline of 33.6% in tourist arrivals in the first half of 2021, and Dominica experienced a 74.7% downturn in tourist arrivals for that same period. Grenada recorded a 73.1% drop, while the decreases in arrivals registered by Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines came to 77.3%, 29.4% and 72.1%, respectively. The appearance of the more contagious Delta variant of COVID-19 dealt a second blow to the tourism industry, as people were again cautioned against travelling, especially for leisure and other non-essential activities.

Guyana

In 2020, despite the contractionary effect of the coronavirus disease (COVID-19) pandemic on the global economy, Guyana posted the highest growth in the world at 43.5%, owing to the start-up of its oil export industry. In 2021 the country's strong growth will continue, with an expansion of 18.5%. The government has taken advantage of the strong economic growth to launch an expansionary fiscal programme, leading to a projected overall fiscal deficit of 6.5% of GDP. Monetary policy remained accommodative in 2021, while inflation faced upward pressure from environmental factors disrupting the agriculture supply chain in mid-2021. Guyana has not been spared the effects of the pandemic, though it has been less affected than some of its Caribbean neighbours. At the end of November 2021, Guyana ranked respectively eleventh and seventh in cumulative confirmed cases and deaths per million persons in the Caribbean.[2] The government's COVID-19 restrictions were eased at the start of 2021, which allowed for improved domestic economic activity.

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[2] Out of the 13 Caribbean English- and Dutch-speaking member States and associate members of the Commission.

Fiscal policy in 2021 was expansionary. The central government's overall deficit in the first six months of 2021 amounted to 0.6% of full-year GDP, an expansion from 0.4% recorded in the prior-year period. The full-year overall deficit is expected to be 6.5% of GDP. The current account for the first half-year recorded a surplus of 1.4% of GDP, while the capital account was in deficit by 2.0% of GDP. The current account benefited from increased revenue collection as business activity recovered following the lockdowns of 2020. The 2021 budget, presented to parliament in February and approved in March, included a number of infrastructural investment projects meant to stimulate and diversify the economy, including a gas-to-shore project, development of solar farms, construction of bridges across the Demerara and Corentyne Rivers and a series of highways to open connectivity throughout the country and to the rest of South America. The government's capital account reflected these initiatives, as capital expenditure in the first six months of the year increased by 82%. Guyana's total public debt stock increased by 12.2% between the end of 2020 and mid-2021, but the expansion in nominal GDP meant that the public debt ratio fell from 47.4% to 39.6% of GDP.

Monetary policy was accommodative in 2021, as the authorities focused on maintaining sufficient liquidity in the banking system and keeping prices stable. The central bank's discount rate remained at 5.0% throughout 2021. Domestic credit shrank by 54.5% from December 2020 to June 2021, driven by the public sector's shift from a net credit position of 11% of GDP at the end of 2020 to a net debit position of 3.9% of GDP by mid-year 2021. Credit to the private sector grew by 3% over the same period; the sectors that experienced the greatest growth were construction and engineering and manufacturing with 22% and 11% growth, respectively. The country's exchange rate remained constant at G$ 208.5 to US$ 1 over 2021.

Guyana's external current account deficit narrowed to 0.5% of full-year GDP in the first half of 2021, compared to 7.2% in the same period of 2020. An expansion in the merchandise trade surplus from 1.3% in the first half of 2020 to 11.1% of GDP in the first half of 2021 offset a marginal widening of the service balance to 17.8% from 14.5%. The expansion in the merchandise trade surplus reflected oil exports; the non-oil trade deficit widened as a result of higher import costs and lower export receipts.

Among the non-oil exports, receipts from sugar, rice and "other" exports grew, while receipts from gold, timber and bauxite fell.

Guyana's GDP is expected to grow by 18.5% in 2021, following a full year of oil production generating growth of 43.5% in 2020. Over the first half of 2021, the oil sector grew by 14.5% while the non-oil sector grew by 4.8%, following the easing of COVID-19 restrictions compared to 2020. From January to June 2021, the oil sector produced 65.4% more barrels than the year-earlier period, despite the failure of a gas compressor limiting production in early 2021. The agriculture sector contracted by 2.4% in the first six months. Despite the reduced restrictions, almost all crop production contracted owing to heavy rains that caused flooding in May and June. The manufacturing and services sectors grew by 13.1% and 9.4%, respectively, while construction expanded by 25.5% on account of increased public and private infrastructure projects. In 2022, Guyana's economy is expected to expand by 46%. ExxonMobil's second floating production storage and offloading vessel arrived in Guyana in late 2021 and will begin production in early 2022. At its maximum production, Guyana's total oil output capacity will almost triple, from 120,000 barrels per day (bpd) to 340,000 bpd. The additional output, combined with increased consumption demand and public and private infrastructure investment, will contribute to the real GDP growth.

Inflation grew in 2021, on account of higher food and energy prices. The year-on-year change in the consumer price index (CPI) increased from 0.9% in December 2020 to 2.8% in January 2021. After a few months of stability, the CPI rose to 7.0% in June and then 7.7% in the following month. The increase was driven by food inflation, which grew from 8.1% in January 2021 to 17.0% by June, owing in part to severe flooding that damaged crops and impacted the food supply. The transportation and communication index also contributed, as it moved from -1.0% in January 2021 to 3.8% by May on account of increased international oil prices.

Jamaica

The coronavirus disease (COVID-19) pandemic has had a particularly severe impact on the Jamaican economy because it is so heavily dependent on tourism, which was one of the hardest- hit sectors of all. The closure of borders, businesses and schools, along with other strategies for curbing the spread of the virus, hurt economic performance as a whole. The emergence of the Omicron strain of the virus then dashed any nascent hopes of a return to normality, given the challenges faced by major source markets such as the United States.

The overall policy focus of the government of Jamaica will continue to be on protecting the population from community spread of COVID-19, reducing vaccine hesitancy and supporting further economic growth. According to the Bank of Jamaica, the economy contracted by 10% in 2020 (as compared to a 1% drop in 2019) largely as a result of the adverse impact of the pandemic on travel, production, distribution and the entertainment industry. Particularly sharp reductions in value added were seen in services industries, especially hotels and restaurants, the "other services" category, and transport, storage and communications. These industries were adversely affected by the steep drop-off in travel as well as the slowdown in activity at the country's ports in 2020. The quarterly data for 2021 point to growth rates of -5.7% in the period from January to March 2021, 12.9% for April–June and 6.3% for July– September. The annual growth rate for 2021 is estimated at 4.0%.

The impact of the pandemic will derail some of the country's hard-won fiscal gains, and there is likely to be a deterioration in the balance of payments if tourism receipts do not rebound soon.

Fiscal challenges continue to be the biggest concern for the Jamaican government as it strives to keep public finances under control while seeking to cope with the fallout from the pandemic. The containment of public expenditure was a major component of the government's fiscal adjustment strategy even before the pandemic. In the period from April to November in fiscal year 2021/22, government revenues were -0.3% and grants were -18.2% below the budget target. Most categories of government expenditure were below budget, and overall government expenditure was -0.5% below target. In addition, capital expenditure was up by 0.7%. The steepest increases relative to the budget over that period were domestic interest payments (up by 3.8%) and external interest payments (up by 0.1%). The Minister of Finance had to go to Parliament a number of times for supplementary budget estimates in order to cope with the demands of the situation created by the pandemic. The public-sector primary balance was 2.5% of GDP in 2020 and will likely have increased to about 5% in 2021.

The main challenge facing the Jamaican economy continues to be the debt overhang, which is still considerable. External obligations represented the bulk of the debt, at 61.2% of the total, while domestic debt accounted for the other 38.8%. The macroeconomic effects of the pandemic have interrupted the downward trend in the debt/GDP ratio, which the Jamaican government had been working to maintain. Debt-to-GDP for fiscal year 2020/21 is estimated at 110.1%, which is 15.3 percentage points higher than the outturn for fiscal year 2019/20. The Jamaican government adopted a number of decisions aimed at fortifying its response to the pandemic, one of which was to allow the primary surplus to decline from 5.4% to 3.0% of GDP. With the anticipated roll-out of the COVID-19 vaccine programme, the government's macrofiscal position is expected to strengthen, restoring the downward trend of the debt-to-GDP ratio (99% in 2020) to a trajectory consistent with the levels needed to align with the revised timeline for the achievement of a debt-to-GDP ratio of 60.0% or less by fiscal year 2027/28.

During 2020, the Jamaican economy and financial markets, as anticipated in the 2019 Preliminary Overview of the Economies of Latin America and the Caribbean, were shaken by the uncertainty surrounding the economic decline caused by the COVID-19 pandemic. The Jamaican dollar

(J$) depreciated by J$ 10.08 (7.1%) against the United States dollar in 2020, as compared to a depreciation of J$ 4.85 (3.7%) in 2019.

In 2020, despite the impact of the pandemic on the economy's export sectors as projected by the Bank of Jamaica, foreign currency flows into the foreign exchange market displayed more resilience than had been expected. Those inflows strengthened further in the second half of the year, thereby bolstering an increase in net international reserves.

There was no appreciable disruption in the operation of the foreign exchange market, thanks in part to the orderly adjustment brought about by a number of policy initiatives implemented by the Bank of Jamaica in order to provide liquidity assurance to the markets and maintain confidence, despite the challenges occasioned by the pandemic. This helped to temper any potentially adverse impact on domestic inflation and investor confidence.

If inflation remains under control, the Bank has stated that it intends to maintain this more accommodating monetary policy position until there are clear signs that economic activity in Jamaica is returning to its pre-pandemic levels.

As the low economic policy interest rate (0.5%) remained in place, market interest rates continued their downward trend in 2020. Improved liquidity conditions and the Bank's monetary policy signals were also major contributing factors in the continued downward trend in market interest rates. The weighted average yields on 180-day Treasury bills (T-bills) had declined to 0.86% at end-2020 from a rate of 1.60% at end-2019. In addition, the daily averages of private money market rates also declined during the year.

Lending activity slowed and there was a slight deterioration in loan quality for deposit-taking institutions (DTIs) as a wide cross-section of borrowers experienced difficulties associated with the COVID-19 pandemic. In response to those difficulties, DTIs introduced moratorium facilities aimed at cushioning the impact of the pandemic. For the year, DTIs generally recorded lower profits. This was largely a reflection of the lower interest income levels associated with the slowdown in loan growth and the increased use of moratorium facilities. The weighted average lending rate for bank loans to the private sector in December 2020 was 12.07%, a decline of 0.69 percentage point relative to December 2019.

In 2021, the pace of growth in overall funding was mixed. Total financing, which includes DTI credit for the private sector, corporate bond issues and public-sector credits, grew by 5.8% for the year ending in July 2021, down from the 8.0% annual growth rate recorded for the year ending in March 2021. However, private-sector financing rose by 9.1% for the year ending in July 2021, thus outpacing the 7.3% rate recorded for the year ending in March 2021.

The Bank of Jamaica had maintained a strong net international reserves position in 2020, despite the adverse impact of the COVID-19 pandemic. While the level of reserves declined in the second and third quarters, the reserves position steadily improved in the fourth quarter, closing out the year at US$3.1308 billion. This outturn represented a marginal decline of US$ 31.7 million relative to end- 2019. At the close of 2020, gross reserves amounted to US$ 4.0857 billion, which represented 122.3% of the assessing reserve adequacy (ARA) metric used by the International Monetary Fund. Gross reserves at the end of 2020 represented approximately 38.9 weeks of projected goods and services imports, as compared to 22.9 weeks at the end of 2019. At the end of 2020, non-borrowed reserves (NBR) accounted for 90.8% of the country's net international reserves, up slightly from 89.0% at the end of 2019.

The economy shrank by 10% in 2020. In the first quarter of 2021, economic growth was down by 5.7% as a direct result of the pandemic, but goods-producing sectors grew by 3% as the net result of a 2% drop in agricultural production, a 6.2% upswing in mining and quarrying activity, a 1.4% contraction in manufacturing and a 12.6% increase in construction that was driven by a boom in the housing sector (up by 25.8%).

The services sector contracted by 8.1%, largely as a consequence of downturns in hotels and restaurants (-56.2%) and in the transport, storage and communications industries (-6.6%). The performance of these sectors was hurt by the measures implemented, both globally and locally, to curb the COVID-19 pandemic, particularly in the areas of air and land transportation, tourist accommodations and entertainment services. Preliminary data on tourism receipts indicate that these revenues plunged by US$ 520.7 million to US$ 254.4 million, largely as a result of the sharp decrease in the number of stopover arrivals and the fact that there were no cruise passenger arrivals at all during the quarter.

In the second quarter of 2021, GDP growth was up by 12.9% over the second quarter of 2020. Much of this increase was attributable to the easing of COVID-19 restrictions, which bolstered both domestic and external demand for goods and services. According to the Planning Institute of Jamaica, goods-producing industries expanded by an estimated 7.8%. That upturn was shared by all goods industries except mining and quarrying, where activity was dampened by technical issues that interfered with alumina production, shipping scheduling issues and lower demand, which had an adverse impact on crude bauxite production. Within this sector, agriculture grew by 17.6%, mining and quarrying declined by an estimated 12.3%, manufacturing was up by 3.1%, and construction continued on its upward trend, with activity expanding by 18.3%.

The services sector's overall growth rate of 14% reflected real value added in all subsectors except government services, whose performance was flat. The electricity and water supply subsector grew by 4%, transport, storage and communications by 16.5%, wholesale and retail trade by 13.2%, and hotels and restaurants by 330.7%.

In the third quarter of the year –the most recent period for which data were available at the time of publication– the overall economic growth rate of 6.3% was the net result of a 7.3% expansion of the services sector and a 2.8% increase in activity in the goods-producing sector that was driven by manufacturing (8.5%), agriculture (7.2%) and construction (1.7%), while mining and quarrying slumped by 31.0%. All the subsectors in the services sector displayed positive growth rates, with hotels and restaurants (114.7%) and the "other services" category (15%) leading the way.

According to the Planning Institute of Jamaica, the prospects for the overall economy in the short term are brightened by the continued easing of COVID-19 containment measures on the domestic front and the gradual opening of the economies of Jamaica's trading partners. The resulting intensification of external demand for tourism services and higher employment levels are expected to boost domestic demand. Concern remains, however, about the possibility that more stringent containment measures might have to be reintroduced if new variants of the virus emerge and/or if further waves of COVID-19 infections occur. The final growth rate for 2021 is expected to come in at 4.0%.

For 2020, annual headline inflation was 5.2%, which was well within the target band of 4.0%– 6.0%. The inflation rate was also within the target band for 11 out of the 12 months of the year, with only the rate in June 2020 breaching the upper limit as the result of a temporary shock to agricultural food prices owing to drought conditions. The inflation outturn mainly reflected the impact of higher prices for goods and services in the health and personal care category, which were largely a reflection of a shift in consumption patterns in the context of the pandemic. The impact of that shift was partly offset by a slowdown in the rate of increase of food prices and generally lower crude oil prices, which contributed to a reduction in transport-related costs. Underlying or core inflation (a metric which removes the impact of changes in food and energy prices) generally remained subdued at below 4.0% during the year, although it was slightly higher than in 2019.

The annual inflation rate as of September 2021 was 8.2%, which was far above the 4.3% and 4.9% rates recorded in June 2021 and September 2020, respectively. According to the Bank of Jamaica, large increases in international commodity and shipping prices have been the main reasons why domestic inflation has risen above the upper limit of the target range, but an agricultural price shock and one-off hikes in regulated transportation and energy prices were significant factors as well. Over the next eight quarters, inflation is projected to average between 5.5% and 6.5%, whereas the average over the past two years has been 5.0%.

The unemployment rate was 12.6% in July 2020 but fell to 10.7% in October of that year. In January and April 2021, the rates were 5.8% and 5.1%, respectively, and by July 2021, the rate had fallen to 5.1%. Thus, after factoring out seasonal variations, it becomes clear that the unemployment rate has begun to return to pre-pandemic levels. The unemployment rates for men in July 2020 and July 2021 were 11.5% and 6.3%, respectively, while the rates for women for those same months were 13.9% and 11.3%, respectively, which suggests that the differentials between the sexes have remained more or less unchanged. Meanwhile, the youth unemployment rate was 30% in July 2020 (28% for males and 32.9% for females) and 23.9% (14% for males and 30% for females) in July 2021.

Suriname

Suriname was mired in an economic crisis for much of 2020 and 2021, while simultaneously battling several waves of COVID-19 infections. After years of falling exports and dwindling reserves, the Surinamese dollar was devalued by 228% between August 2020 and October 2021 as the monetary system gradually moved to a freely floating exchange-rate system. This devaluation sent Suriname's public debt ratio soaring and resulted in inflation rates exceeding 60%. Many of Suriname's indicators have been affected by its high inflation, as its nominal GDP grew by 56%.

The COVID-19 crisis has affected Suriname particularly badly. As of November 2021, Suriname was the Caribbean country worst affected by the pandemic, with the highest cumulative number of cases and deaths per million people. The government implemented a raft of restrictions meant to combat the spread of the virus, but which also contributed to an economic contraction of 15.9% in 2020. Growth in 2021 is expected to be -1%, as continued restrictions and reduced purchasing power impact on economic activity.

The Government of Suriname embarked on intense fiscal consolidation in 2021, which resulted in a fiscal surplus of 1.5% of GDP for the first eight months of the year. This surplus will be the first since 2009 and comes after an average deficit of 11% of GDP over the past six years. Total revenue increased by 97% from 2020 to 2021, driven by a 114% increase in direct taxes, and offsetting a 3.9% increase in total expenditure.

Suriname's public debt grew to 115% of GDP in 2020, driven mainly by the large local-currency devaluation in November, and the total debt stock (measured in Suriname dollars) expanded by 96.5%. From end-2020 to September 2021, the debt stock had risen by just 5.6%, but the total debt ratio fell to 78.1% of GDP, as a result of the expansion in nominal GDP resulting from the significant inflation in the economy. In late 2020, Suriname had begun debt restructuring negotiations with its creditors and arranged a deferral of debt service payments into 2021. The standstill on payments helped the government's fiscal position significantly. In addition, in April 2021 the government managed to secure a staff-level agreement with the International Monetary Fund (IMF) for a 36-month extended fund facility of US$ 690 million. However, in June 2021 creditors issued termination clauses on two sets of sovereign bonds following the government's proposal of a 70% haircut in nominal value. In the short term, the government intends to introduce the long-postponed value added tax to improve tax collection and continue with its fiscal consolidation programme.

The central bank's monetary policy in 2021 was focused on dealing with high inflation following successive currency devaluations and a major shift in exchange-rate policy. The reserve requirement ratio remained unchanged, at 39%, in 2021. While this ratio remains the central bank's main monetary policy tool, in 2021 the bank announced its intention to move away from the reserve requirement monetary instrument and towards the use of interest rates.

In late 2020, Suriname undertook a major devaluation —of 90%— when the exchange rate increased from 7.52 Suriname dollars (Sur$) to Sur$ 14.29 per US$ 1. In March 2021, the central bank introduced an exchange-rate band, with an upper limit of Sur$ 16.30 and a lower limit of Sur$ 14.29. The exchange rate remained at Sur$ 14.29 per US$ 1 until June, when the central bank moved to a freely floating exchange-rate regime and the selling rate jumped to Sur$ 21.274. The currency depreciated slowly over the following months to Sur$ 21.612 per US$ 1 in October 2021. The bank also introduced new foreign-exchange regulations for exporters and importers, with the aim of increasing the supply of United States currency in the economy.

The balance-of-payments current account surplus expanded by 177% in the first six months of 2021, owing mainly to improved performance on the goods and services accounts. The goods surplus grew by 3.3% year on year in the first half of 2021, after doubling in 2020 amid a fall in imports and an increase in gold prices. After driving the expansion of the goods surplus in 2020, gold exports fell by 7.8% in the first half of 2021. Meanwhile, the services deficit contracted by 21% in the first six months of 2021.

The Surinamese economy is expected to shrink by 1% in 2021, following a heavy contraction of 15.9% in 2020 as a result of the pandemic. High inflation limited consumer activity, along with restrictions on economic activity adopted to limit the spread of COVID-19. The year-on-year change in the central bank's monthly economic activity index went from -16% in January 2021 to 6.0% by June. The average change over the first half of the year was 1.4%. The subindices for five industry groups averaged negative growth in the first six months of 2021: fisheries; manufacturing; electricity, gas and water supply; transport, storage and communication; and construction, which together contracted by 16.1%. The industries that grew in the first six months were: agriculture, hunting and forestry; mining and quarrying; wholesale and retail commerce; hotels and restaurants; financial intermediation and government activity. Growth in 2022 is projected at 1.5%.

Inflation in Suriname remained high over the course of 2021. The year-on-year change in consumer prices was measured at 63.8% in January 2021, then fell steadily to 43.5% in May 2021, before jumping in June to 54.0% with the move to the freely floating exchange rate, and again in August to 74.4% following the reduction of energy subsidies.

Trinidad and Tobago

Like other economies, the economy of Trinidad and Tobago was weakened by ongoing management of coronavirus disease (COVID-19) in 2021, when the country experienced its most severe waves of the pandemic and strict measures were introduced to contain the spread of the virus. This, however, delayed the expected recovery in GDP, which declined by 1.0% in 2021 after contracting by 7.4% in 2020. The fiscal deficit narrowed slightly to 9.2% of GDP but remained well above pre-pandemic levels. However, gross government debt increased to 91.4% of GDP on account of increased expenditure related to the pandemic. In order provide liquidity support, the Central Bank of Trinidad and Tobago adopted an accommodative monetary stance, maintaining the repurchase agreement (repo) rate at 3.5%. Headline inflation rose to 2.4%, driven by rising prices, particularly for food, which was affected by global supply disruption. Though the unemployment figures for 2021 remain unavailable at the time of publication, they are expected to have improved, albeit narrowly, by the end of the year. The pandemic has been detrimental for employment and in 2020 the unemployment rate stood at 5.7%.

The overall fiscal deficit for the 2020/21 fiscal year was 9.2%, smaller than in the previous fiscal year. This improvement was supported by a marginal 1.7 percentage point increase in total revenue to 24.8% of GDP, driven in particular by rises in revenue from the energy and non-energy sectors. On the expenditure side, there was a small 0.4 percentage point fall to 34% of GDP. Total general government debt rose by 4.1 percentage points to 91.9% of GDP, primarily driven by increases in domestic borrowing to support COVID-19 containment measures.

In 2021, the central bank maintained an accommodative monetary policy stance given the impact of the COVID-19 pandemic on the domestic economy. In this regard, it maintained the repo rate at 3.5%, following the reduction in March 2020. The central bank has adopted a strategy of high levels of foreign reserves (US$ 11.5 billion in September 2021, representing 8.6 months of import cover), to support lower interest rates and thus boost private sector credit. Nonetheless, growth in private sector credit slowed to 0.9% of GDP in September 2021 relative to 1.5% in the same month of 2020 as business credit and consumer lending remained depressed.

The central bank has continued to closely manage the foreign-exchange market, which remained tight in 2021. As a result, from October 2019 to September 2020, authorized dealers' purchases from the public —an indicator of supply of the foreign exchange— increased by 31.1%. For this period, the improved performance stemmed from an uptick in crude oil and petrochemical production and higher energy prices. The central bank is expected to maintain the exchange-rate peg at close to 6.8 Trinidad and Tobago dollars (TT$) to US$ 1, as foreign exchange supply was boosted by continued improvements in energy exports through to the close of 2021.

At the time of publication, 2021 balance of payment data was unavailable. However, in 2020, subdued international demand, reduced production owing to natural gas supply constraints, and initially lower energy prices negatively impacted the current account surplus, which weakened to 0.1% of GDP in 2020 relative to 4.8% of GDP in 2019, with substantial declines in the goods and services and the financial account as foreign direct investment declined. Because of reduced global demand, declines in goods exports were insufficient to offset declines in imports. In 2021, the current account balance is expected to have strengthened, with rises in international demand, high energy prices and increased energy production.

To boost global liquidity and support economic recovery globally, the International Monetary Fund (IMF) allocated special drawing rights (SDRs) equivalent to US$ 644 million and is also encouraging voluntary channelling of SDRs from countries with strong external positions to more vulnerable member countries, to support the recovery from the pandemic.

Economic activity continued to be hampered by COVID-19 containment measures in 2021. Economic activity measured by the central bank's index of economic activity fell by 7.2% year-on-year in the second quarter of 2021, with declines of 9.4% in the energy sector and 5.7% in the non-energy sector. In the second quarter, the energy sector continued to be affected by reduced natural gas supply, with natural gas production falling 22.1 % year-on-year despite improvements in crude oil and methanol production. This, in turn, affected the refining subsector, with a 44.1% decline in liquified natural gas production during the period. Within the non-energy sector, growth in the electricity and water, financial and insurance, transportation and storage, and real estate sectors was largely offset by contractions in construction, retail and manufacturing. In the second half of 2021, the reopening of the borders, gradual lifting of restrictions and increased availability of COVID-19 vaccines is expected to have boosted performance in non-energy sectors. Therefore, the contraction in real GDP is projected to have improved to -1.0% by the end of 2021. As a result of continued lifting of COVID-19 restrictions along with expected boost in natural gas production and increasing global energy prices in 2022, real GDP growth is forecast to improve to 5.7% in 2022.

The repercussions of the response to the COVID-19 pandemic continued to place substantial strain on global supply chains in 2021. This contributed to rises in international prices and higher import costs. Further, higher input costs of raw materials and freight drove up domestic inflation in 2021, with core inflation rising from 0.0% in September 2020 to 1.6% in September 2021, primarily owing to food prices. Headline inflation, measured by the year-on-year rate of change in the Retail Price Index (RPI), climbed to 2.4% in September 2021, up from 0.7% in September 2020, reflecting inflationary pressures from rising food prices and other core components of RPI.

While unemployment rates for 2021 remain unavailable at the time of publication, in 2020 the average unemployment rate was 5.7% following the onset of the pandemic, up from 4.3% in 2019. The Ministry of Labour also reported that 837 persons in wholesale and retail trade, restaurants and hotels, petroleum and gas including production, refining and service contractors and transport, storage, and communication were retrenched (furloughed) in the first nine months of 2021. While reduced activity owing to containment measures appears to have affect the economy for much of 2021, the overall unemployment rate is expected to have improved by the fourth quarter of 2021 with the reopening of borders and ports of entry, coupled with gradual increases in business activity.

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