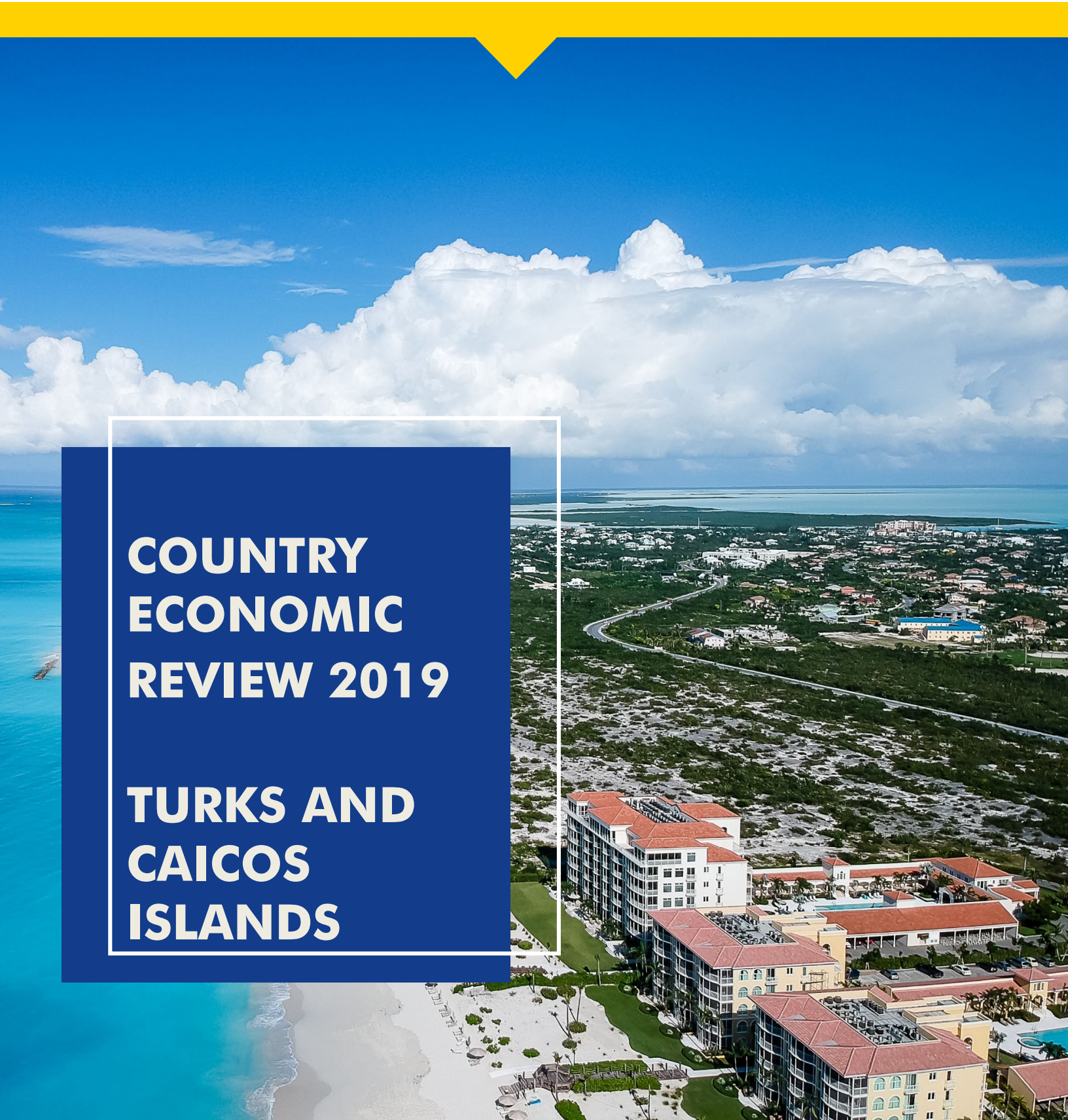




COUNTRY ECONOMIC REVIEW 2019

TURKS AND CAICOS ISLANDS



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TURKS AND CAICOS ISLANDS ECONOMIC BRIEF 2019

OVERVIEW

The Turks and Caicos Islands economy expanded in 2019, buoyed by growth in the tourism and construction sectors.

Fiscal performance remained positive, while debt was negligible. The economy is expected to grow further in 2020 due to increased tourism-related investments and construction activity. The main downside risk relates to global economic slowdown.

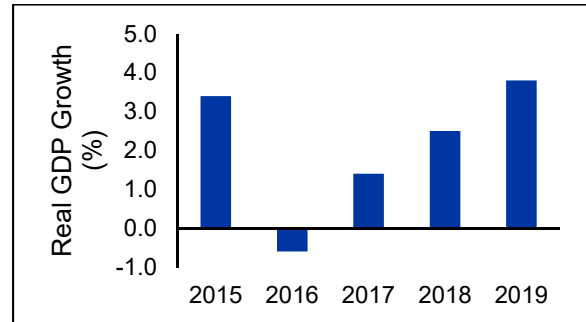
KEY DEVELOPMENTS IN 2019

Economic growth rose in 2019. Preliminary estimates point to a 3.8% increase in real gross domestic product (GDP) attributed to substantial contributions from hotel and restaurant, construction, and real estate activities (see Chart 1). The tourism sector continued to expand, supported by additions to the hotel room stock and an increase in the number of cruise ship calls. Stayover arrivals grew by 5.0% to 463,411, while cruise passenger arrivals expanded by 8.8% to 1.1 million¹ (mn). Large-scale tourism projects and real estate developments accounted for the buoyancy in the construction sector. This was corroborated by 29% year-on-year) rise in the importation of construction materials. There were also positive outturns in wholesale trade and transportation, utilities and financial intermediation.

Average inflation grew by 2.1% year-on-year. Import prices, coupled with heightened demand for construction-related activity,

labour and real estate, contributed to higher prices.

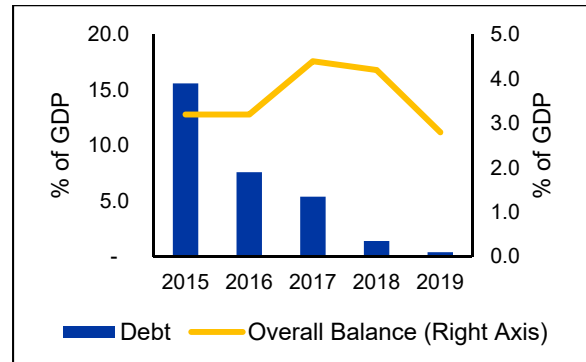
Chart 1: Real GDP Growth



Source: Ministry of Finance (MOF).

Fiscal operations remained stable. In the first six months of fiscal year² (FY) 2019/2020, the Government’s overall surplus was US\$29.9 mn, or 2.8% of GDP (see Chart 2). Lower than budgeted expenditure, particularly capital spending, contributed to the positive outturn. Government debt continued its decline, standing at US\$4.2 mn (0.4% of GDP) at the end of September. Debt is projected to decline further by March 2020, as no new borrowing is projected.

Chart 2: Fiscal and Debt Performance



Source: MOF.

¹Provisional estimates, Tourism Board, Statistics Office, Caribbean Tourism Organization Statistics.

²FY runs from April to March.

Financial sector developments were positive in the first nine months. Lending to the public sector fell, reducing the banking sector's exposure to government debt. Total deposits grew by 8.3% in the year to September, improving liquidity and deposit ratios. Although private sector credit declined by 0.3%, retail lending (consumer and credit card debt) and corporate loans both recorded growth increases, especially in the tourism and distributive trade sectors. Loan performance, coupled with higher levels of bank liquidity, contributed to an improvement in the risk-weighted, capital adequacy ratio. Asset quality also improved as the 5.9% ratio of non-performing loans to total loans was the lowest in recent history.

OUTLOOK

The economic outlook has become clouded by the outbreak of COVID-19, which has significantly affected developed and developing economies. Of most significance for Turks and Caicos Islands is the significant slowdown in the United States of America. In early 2020 the tourism sector has seen mass cancellations. The expected increase in construction activity from foreign direct investment in tourism-related and real estate projects may not materialise. Government finances have come under increasing pressure.

Given the uncertainty as to how long this situation will persist, it is very difficult to forecast how the economy will perform in 2020 and beyond. This will be addressed in an updated Economic Brief later this year.

DATA

The table below summarises the key economic and social indicators underpinning this country brief. These data are taken from a number of sources, and are the latest available at time of publication. Some are subject to revision.

Selected Indicators

| | 2015 | 2016 | 2017 | 2018 | 2019 ^e |
|-------------------------------|------|------|------|------|-------------------|
| Real GDP Growth (%) | 3.4 | -0.6 | 1.4 | 2.5 | 3.8 |
| Average Inflation (%) | 2.2 | 2.0 | 2.1 | 2.1 | 2.1 |
| Unemployment (%) | 12.0 | 11.0 | 7.0 | 6.0 | 7.0 |
| Overall Balance (% of GDP)* | 3.2 | 3.2 | 4.4 | 4.2 | 2.8 |
| Public Sector Debt (% of GDP) | 15.6 | 7.6 | 5.4 | 1.4 | 0.4 |

Sources: MOF.

Notes: e – estimate (as at 31 January 2020).

*FY.



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