CARIBBEAN DEVELOPMENT BANK

COUNTRY ECONOMIC REVIEW MID-YEAR UPDATE 2019

Abbreviations

bn	billion
CDB	Caribbean Development Bank
GDP	Gross domestic product
GYD	Gyanese dollar
mn	million
SRD	Surinamese dollar
USD	United States dollar
XCD	East Caribbean dollar

Disclaimer

Copyright © Caribbean Development Bank (CDB). The opinions, findings, interpretations and conclusions expressed in this publication are those of the staff of CDB and do not necessarily reflect the official policy or position of CDB, its Board of Directors, or the countries they represent.

This work may be reproduced, with attribution to CDB, for any non-commercial purpose. The use of CDB's name for any purpose other than for attribution, and the use of CDB's logo shall be subject to a separate written licence agreement between CDB and the user and is not authorized as part of this licence. No derivative work is allowed.

CDB does not necessarily own each component of the content contained within this document and therefore does not warrant that the use of any third-party owned individual component or part contained in this work will not infringe on the rights of those third parties. Any risks of claims resulting from such infringement rest solely with the user. CDB does not guarantee the accuracy of the data included in this work.

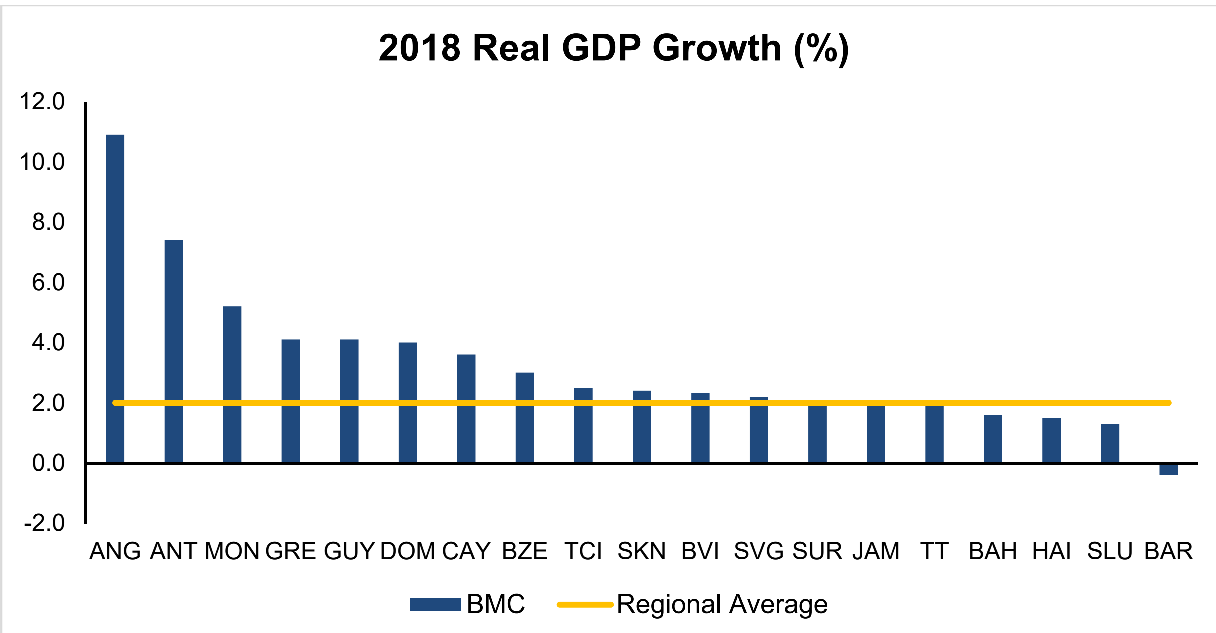
Any dispute related to the use of the works of CDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. Nothing herein shall constitute or be deemed to constitute a waiver of the privileges and immunities of CDB, all of which are specifically reserved.

OVERVIEW

The Country Economic Review Mid-Year Update 2019 contains CDB's revised summary assessment of economic performance in 2018 for each of the Caribbean Development Bank's (CDB) 19 Borrowing Member Countries (BMCs), as well as new forecasts for 2019.

The Mid-Year Updates for 2018 were based on the provision of more up-to-date data on performance in different sectors available in July 2019. Overall growth was 2.0%, compared to 0.7% in 2017. In 2018, all BMCs, with the exception of Barbados, experienced positive economic growth, largely driven by construction and improved tourism performance. The highest rates of growth were experienced in Anguilla and Antigua and Barbuda.

Chart 1: Real GDP Growth 2018

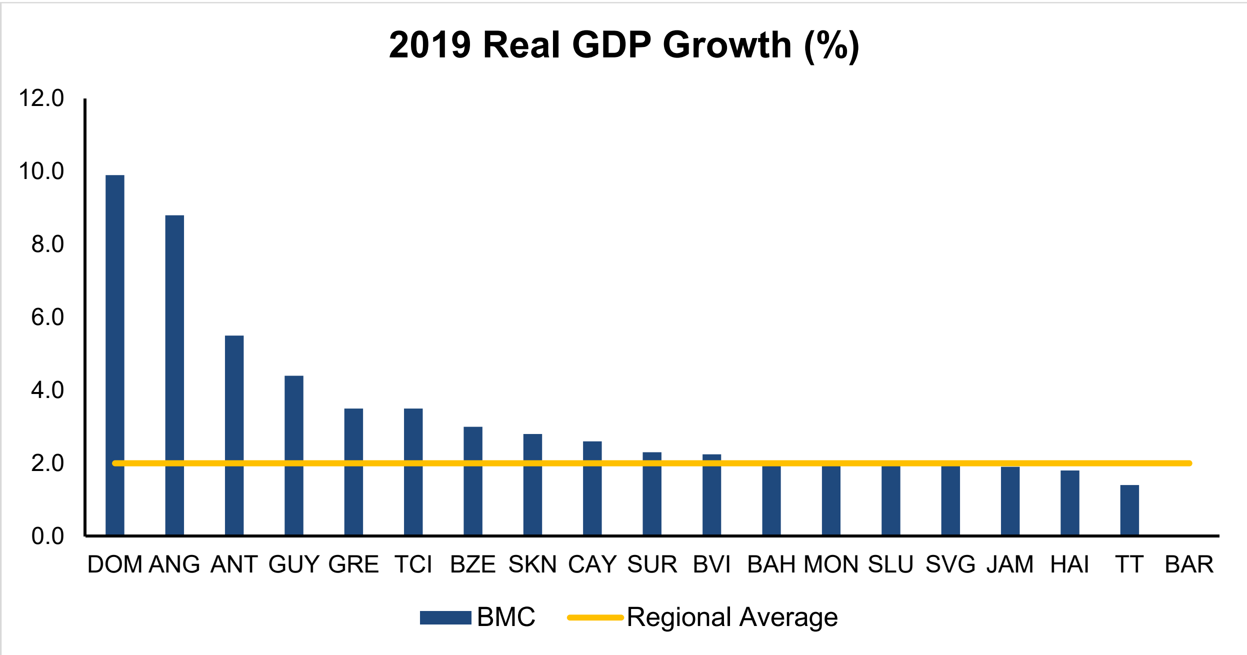


Source: Central Banks; Statistical Offices; CDB Staff estimates

Economic performance in the Caribbean continues to be set against a background of increasing global economic uncertainty. Trade tensions between the United States of America and China have been rising; and uncertainty over the outcome of Brexit continues. There is a possibility of United States sanctions affecting global supply chains; and rising geopolitical tensions have implications for energy prices. While the United States economy continues to grow, some commentators are concerned that this may not last. As small open economies, BMCs are likely to be affected by all these developments.

Despite these concerns, CDB continues to project positive economic growth for the Region. CDB is making upward revisions to its 2019 forecasts for seven BMCs (Anguilla, Antigua and Barbuda, Belize, Dominica, Guyana, Jamaica, and Montserrat), and downward revisions for five (Grenada, Haiti, Saint Kitts and Nevis, Saint Lucia, and Trinidad and Tobago). Most of the upward revisions reflect better than expected first quarter data, particularly in tourism and construction. Of the downward revisions, weaker projected energy production is a contributor in Trinidad and Tobago, and fuel shortages have contributed to an uncertain investment climate in Haiti. There is no change in CDB's projections for eight BMCs, including Barbados, where contraction in the early part of the year is expected to be counteracted by improved activity in the rest of the year. Further details on each BMC are provided in the following sections.

Chart 2: Real GDP Growth 2019



Source: CDB Staff projections

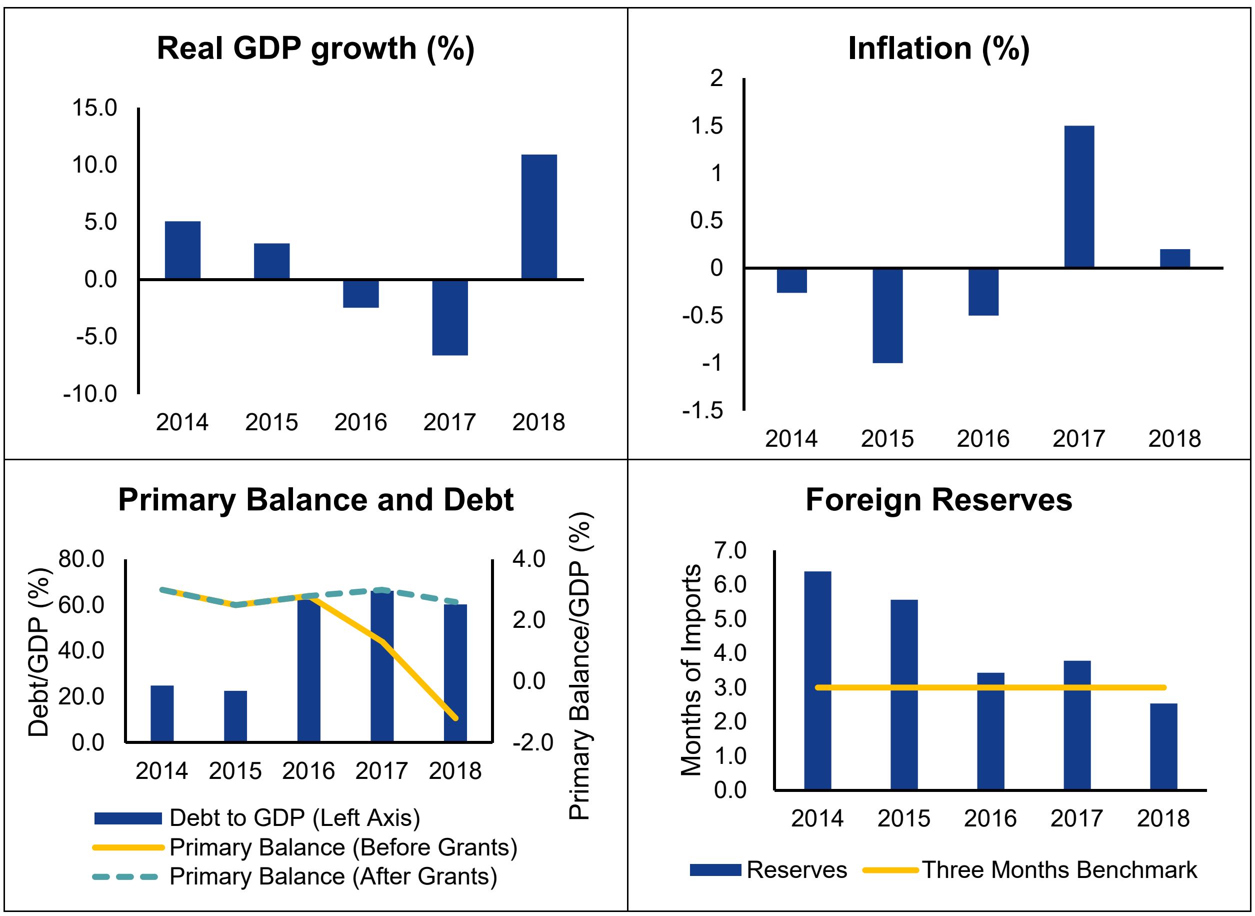
ANGUILLA

Real gross domestic product (GDP) grew by 10.9% in 2018, ending two years of contraction and achieving a turnaround from the previous estimate of under -2.0%, as reported in the Country Economic Review in March 2019.

The upward revision reflects much stronger than expected construction performance, with significant activity to repair damaged hotels and businesses. This helped temper the impact of tourism contraction. Growth in ancillary services, including the wholesale and retail trade industries, was also more robust.

CDB is increasing its growth projection for 2019 to 8.8%. This will be driven by tourism recovery and public sector reconstruction projects. During the first half of 2019, stay-over visitor arrivals more than doubled over the comparable period in 2018, rising above pre-hurricane 2017 levels.

Key Statistics



Source: Government of Anguilla; Eastern Caribbean Central Bank; CDB Staff estimates.

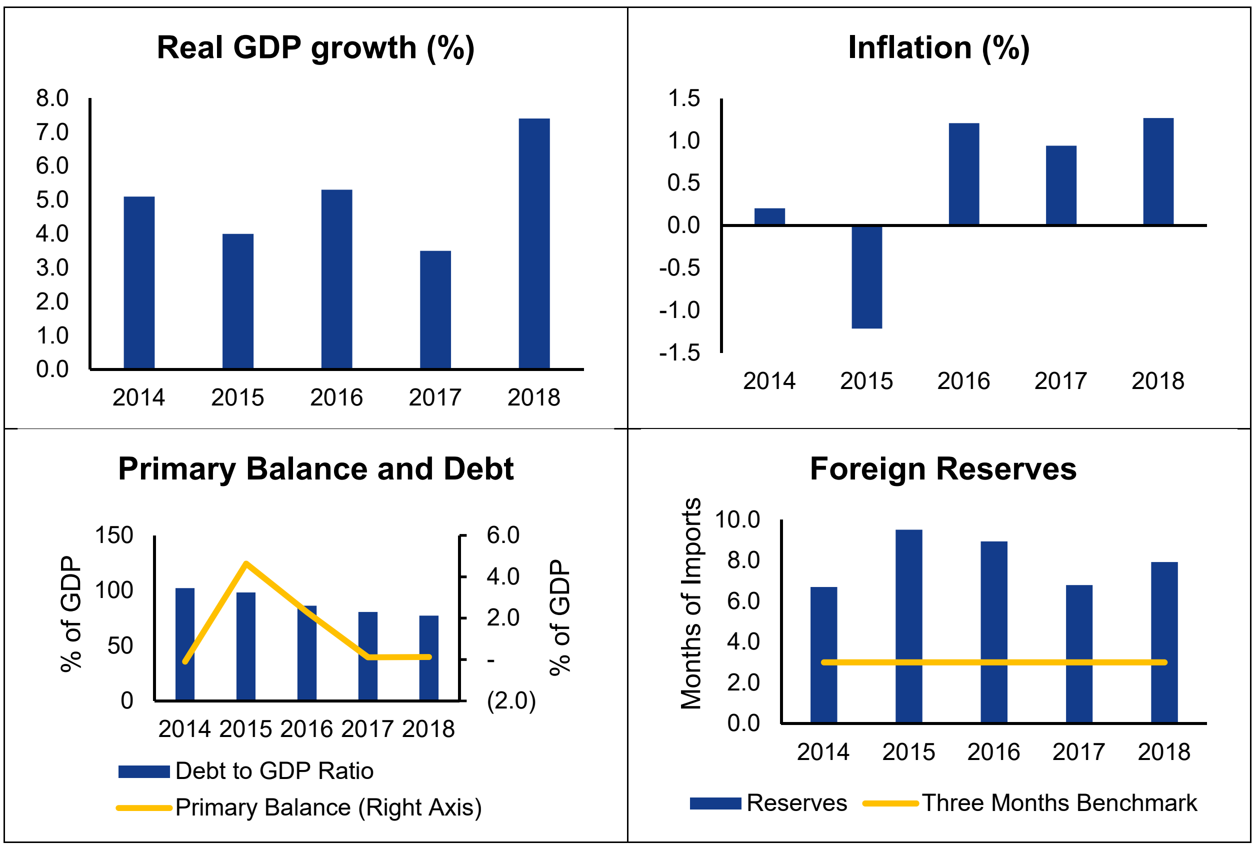
ANTIGUA AND BARBUDA

Real GDP grew at an accelerated pace of 7.4% in 2018, higher than CDB's previous estimate of 3.5%, reported in the Country Economic Review in March 2019. The higher estimate reflects greater than anticipated activity in construction; hotels and restaurants; wholesale and retail trade; and transport, storage and communications.

Public debt to GDP declined to 77.2% in 2018 from 80.6% at the end of December 2017, due in part to the expansion in GDP.

CDB is revising its growth projection for 2019 to 5.5% from 3.0%, on account of robust growth in construction activity, such as in the country's affordable housing stock, ports and road refurbishment and also the Hurricane Reconstruction Programme on the island of Barbuda. Solid United States labour market performance and increased disposable income are expected to drive tourism activity.

Key Statistics



Source: Government of Antigua and Barbuda; Eastern Caribbean Central Bank; International Monetary Fund; and CDB Staff estimates.

THE BAHAMAS

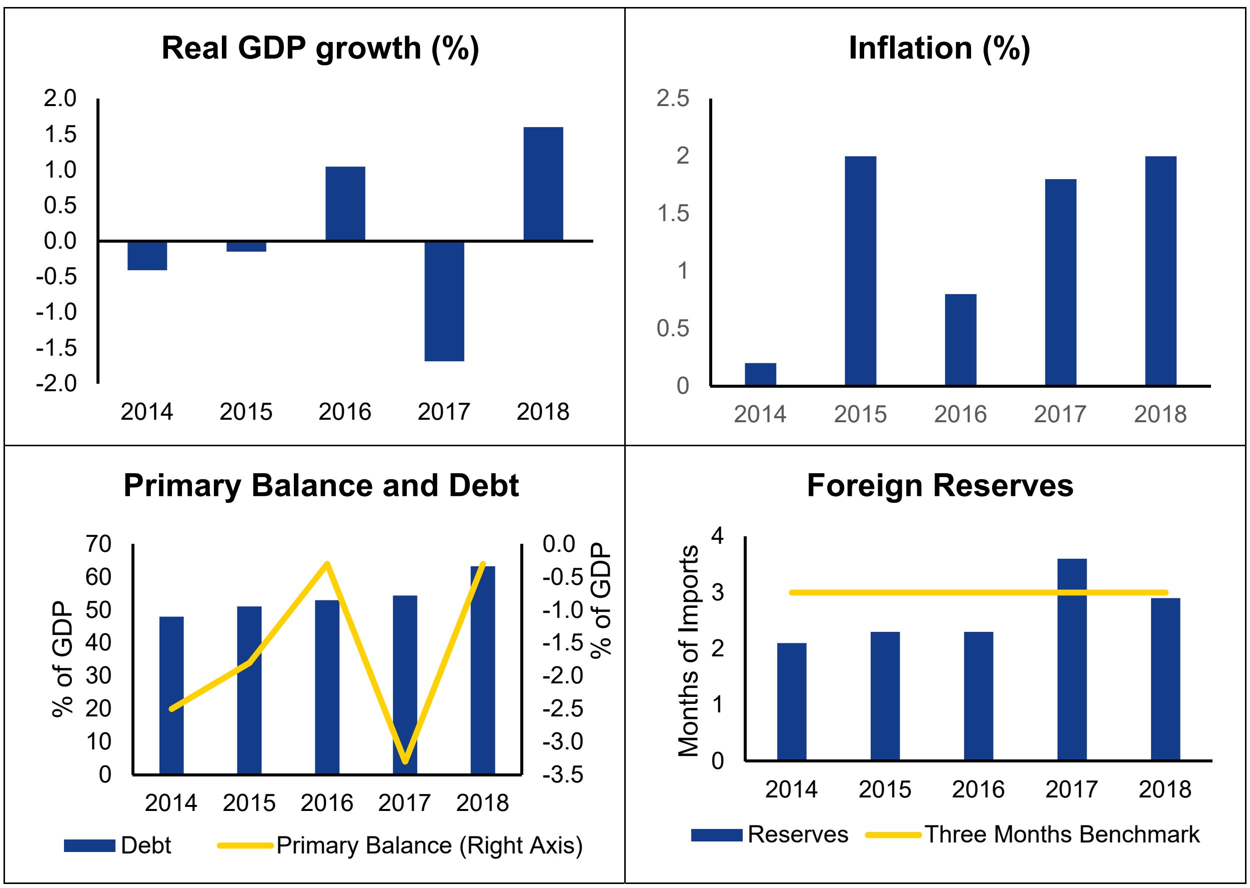
Real GDP grew by 1.6% in 2018, revised down from CDB's previous estimate of 2.3%, as reported in the Country Economic Review in March 2019.

The decline in the estimate reflects a slightly weaker than expected performance for the tourism industry in the fourth quarter of 2018.

Fiscal enhancements improved central government's primary balance to -0.3% of GDP, but debt increased slightly to 63.3% of GDP. The current account deficit worsened due to a widening of the trade deficit in the final quarter of 2018.

Based on preliminary first quarter data, **CDB's growth projection for 2019 remains at 2.0%**. A slightly lower average of roughly 1.8% is expected over the medium term. This growth will be largely driven by tourism, real estate and construction sector activities.

Key Statistics



Source: Central Bank of The Bahamas

BARBADOS

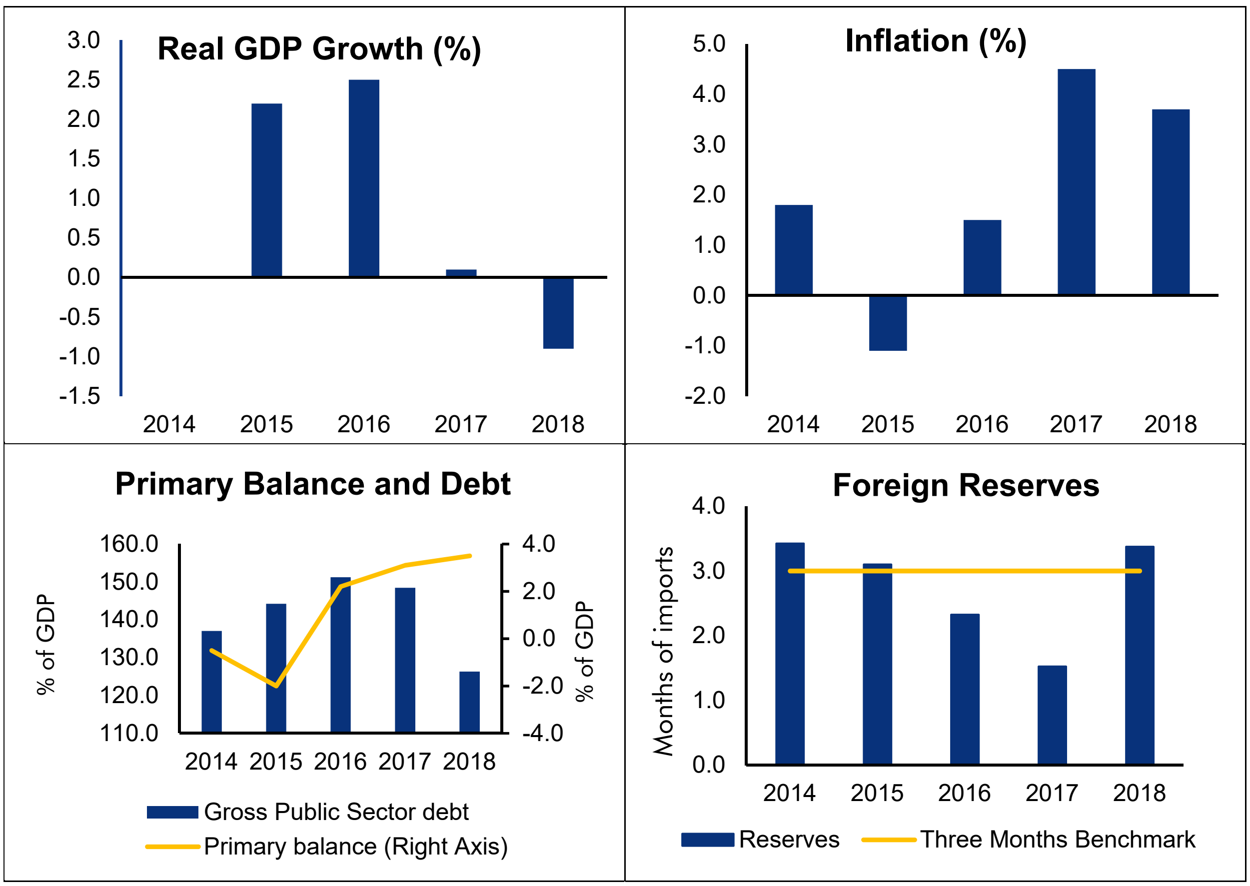
Real GDP declined by 0.4% in 2018, revised up from the 0.6% contraction reported in the Country Economic Review in March 2019.

This revision reflects additional data for the twelve-month period. Stronger than expected performance in the tourism sector was offset by the fall-off in distribution and other services.

The central government's primary surplus improved to 3.5% of GDP in the fiscal year 2018/19 from 3.1% the previous year, as tax revenues increased, and interest expenditure fell by 50%.

CDB maintains its forecast that economic activity will be flat in 2019. In the first six months the economy contracted by 0.2%, but continued strong tourism performance, income tax relief measures and the start-up of new private sector activity should boost growth in the second half the year.

Key Statistics



Sources: Ministry of Finance, Economic Affairs and Investment; Central Bank of Barbados; CDB Staff estimates.

BELIZE

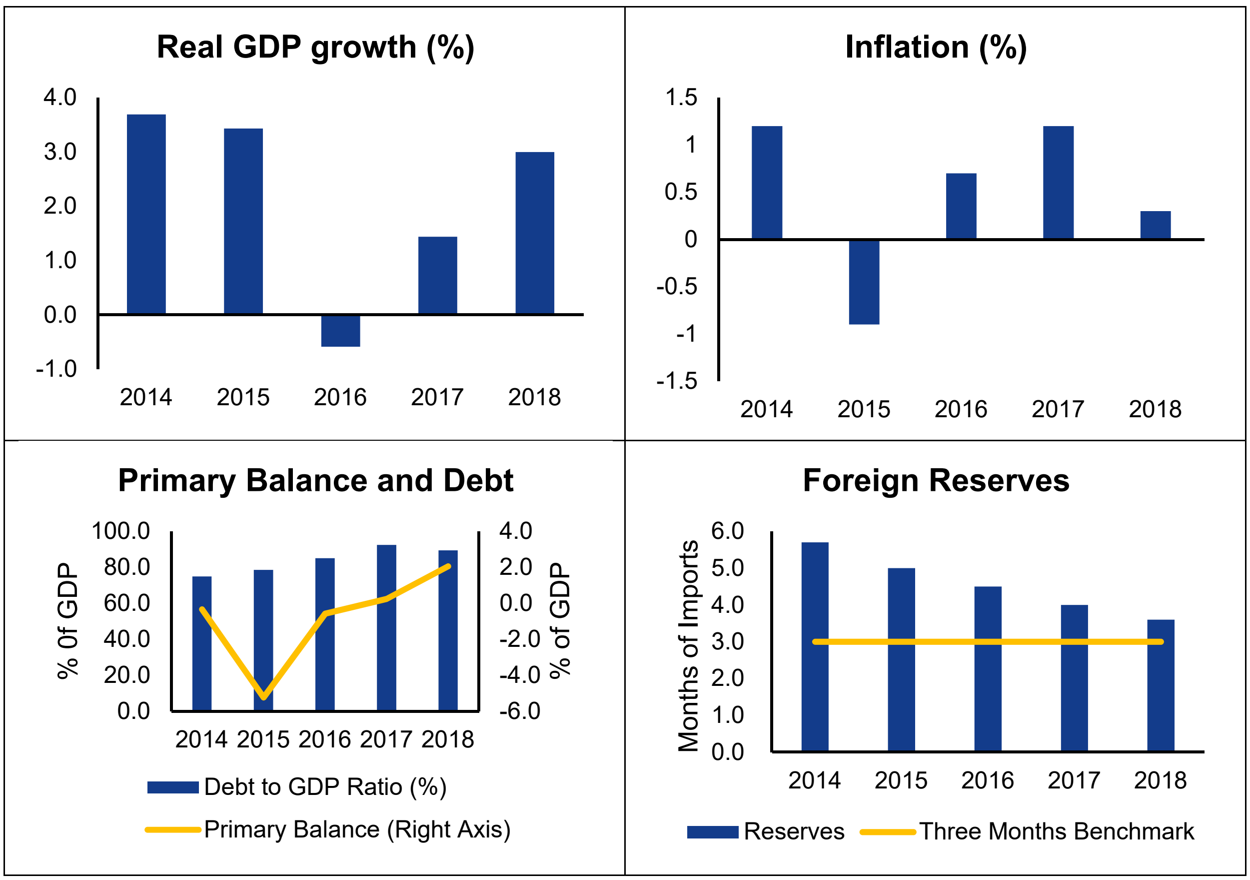
Real GDP grew by 3.0% in 2018, revised up from CDB's previous estimate of 2.5%, as reported in the Country Economic Review in March 2019.

This higher estimate reflects better than expected agricultural performance, especially from citrus, in the fourth quarter; and an increase in airlift that boosted tourist visitor numbers.

Fiscal enhancements improved central government's primary surplus to 2.1% of GDP, and helped debt to fall below 90% of GDP. The current account deficit worsened due to a widening of the trade deficit in the final quarter. This was financed by a drawdown of international reserves.

Based on preliminary first quarter data, **growth will be 3.0% in 2019**, higher than CDB's March 2019 projection of 2.3%. Agriculture continues to recover, and tourism activity is still increasing, albeit at a slightly slower rate than in 2018.

Key Statistics



Source: Statistical Institute of Belize; Central Bank of Belize; CDB Staff estimates.

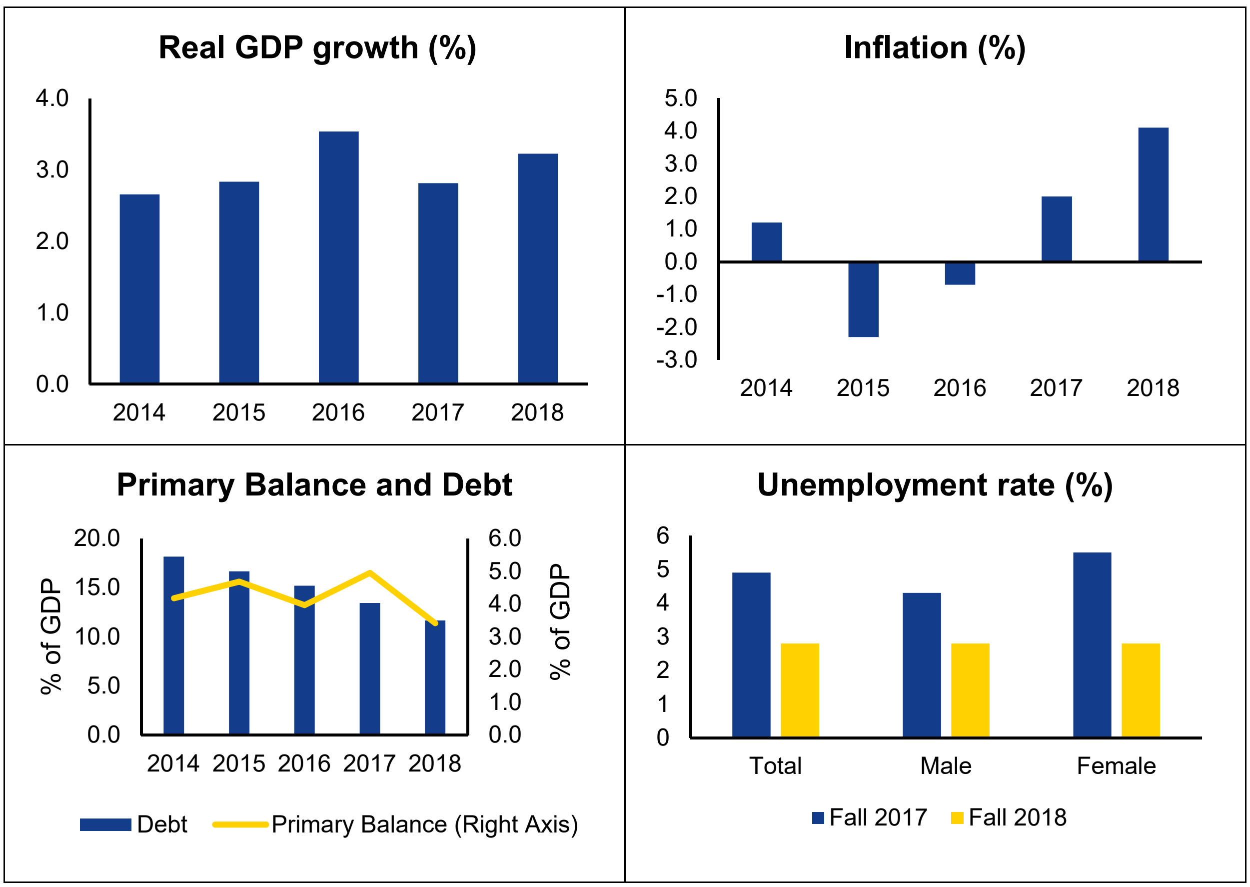
CAYMAN ISLANDS

Real GDP grew by 3.6% in 2018, based on the annualised rate from the first three quarters of 2018. This estimate was revised up from CDB's previous estimate of 3.2%, as reported in the Country Economic Review in March 2019. The increase in the estimate reflects slightly stronger than expected tourist arrivals in the third quarter of 2018, which translated into a stronger performance in the hotels and restaurants sector.

Fiscal performance remained robust, with the primary surplus at 3.4% of GDP and central government debt at 11.7% of GDP. Net foreign reserves increased to almost USD 4.6 bn as of September 2018, representing a 2.2% increase relative to September 2017.

Based on preliminary first quarter data, **CDB's growth projection for 2019 remains at 2.6%.** Construction activity is expected to become the main growth driver, with major public sector infrastructure projects and private projects in the pipeline.

Key Statistics



Source: Cayman Islands Economics and Statistics Office

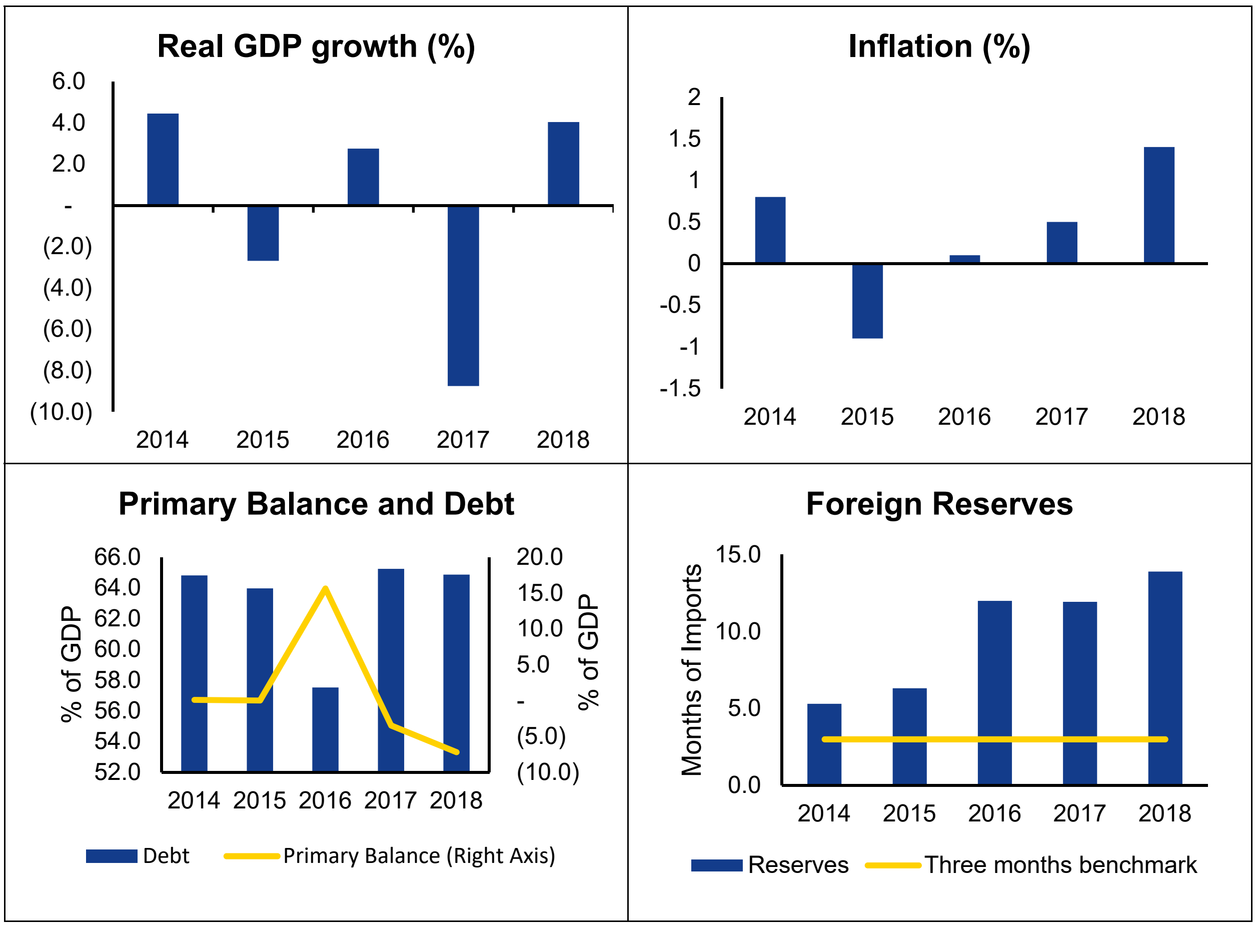
DOMINICA

Real GDP grew by 4.0% in 2018, an improvement on the previous estimate of 0.5%, reported in the Country Economic Review in March 2019.

This upgraded estimate reflects a much stronger than anticipated all round performance, particularly in tourism and related activity, construction, and wholesale and retail.

New data shows that Dominica is on track to record a significant rebound in growth. **Dominica's 2019 growth forecast is consequently revised upward to 9.9 %** from 2.0%. This is due to significant public and private sector activity, construction, and a rebound in tourism.

Key Statistics



Source: Eastern Caribbean Central Bank; CDB Staff estimates.

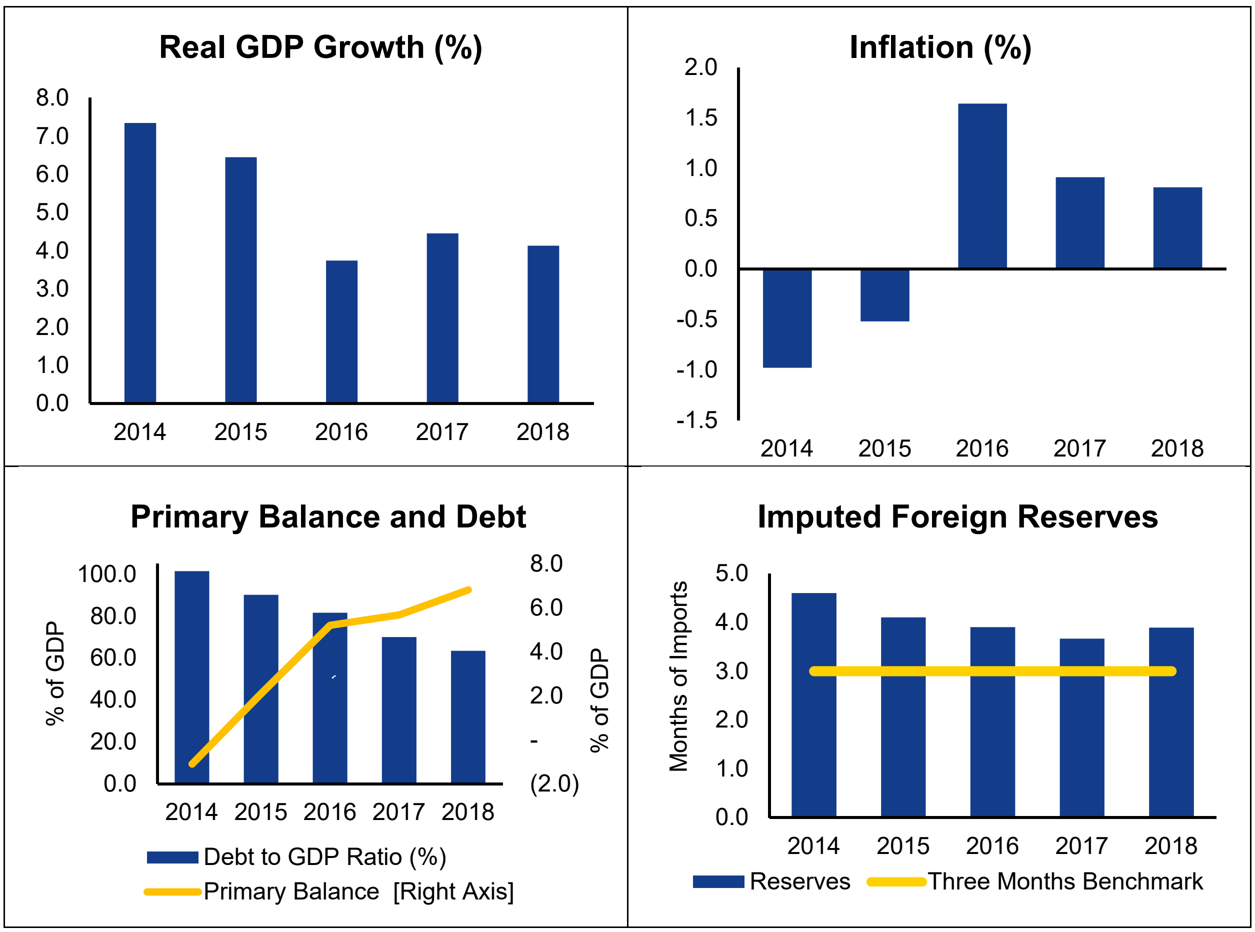
GRENADA

Real GDP grew by 4.1% in 2018, lower than CDB's previous estimate of 5.2%, reported in the Country Economic Review in March 2019.

This lower estimate reflects slower than anticipated activity in private education. Education activity contracted by 6.5% in 2018.

CDB is revising its growth projection for 2019 down to 3.5%, from 4.5%. This is on account of lower foreign direct investment-related construction, as major projects such as the St. George's University expansion and Silver Sands Resort (Phase One) wind down. Tourism is expected to remain buoyant, based on strong performance in the first five months of the year, when there was a 5.0% growth in stayover arrivals.

Key Statistics



Source: Government of Grenada; Eastern Caribbean Central Bank; International Monetary Fund; and CDB Staff estimates.

GUYANA

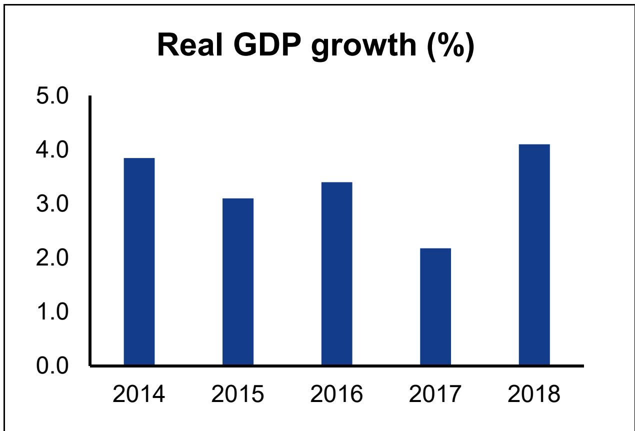
Real GDP grew by 4.1% in 2018, an upward revision of CDB's previous estimate of 3.4%, as reported in the Country Economic Review in March 2019. This higher estimate reflected better than expected performance in agriculture and bauxite mining, as well as increasing construction activity in advance of commercial oil production.

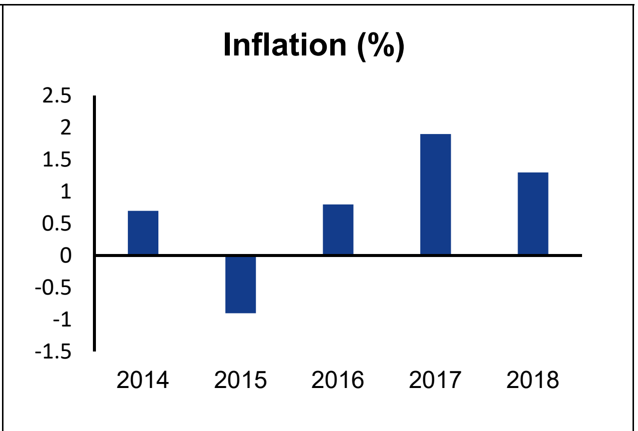
Central government's fiscal deficit was smaller than previously estimated, due to lower capital and current expenditure. Debt rose by GYD 8.5 bn (2.5%), while the overdraft with the Central Bank increased to 6.8% of GDP.

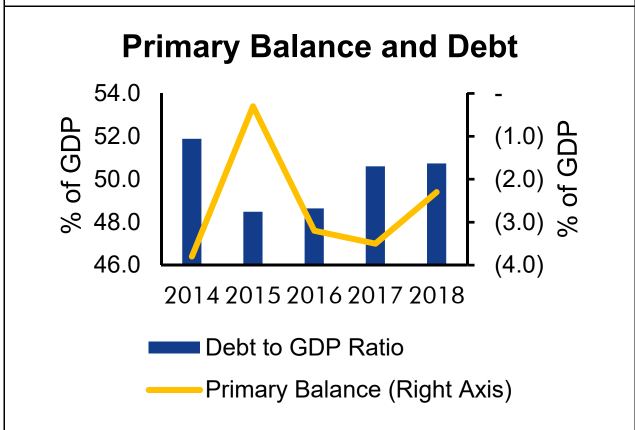
The overall balance of payments deficit narrowed, largely thanks to increased oil-related foreign direct investment. International reserves fell, but will recover in the coming years.

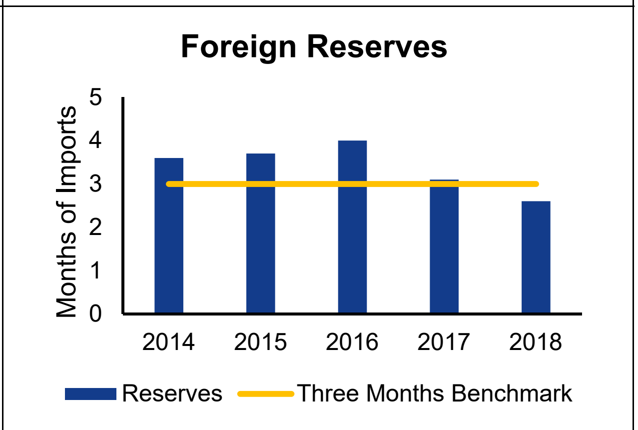
CDB's is increasing its growth projection for 2019 to 4.4%, from 4.0%. This is mainly based on expanding construction activity, including higher public sector investment.

Key Statistics









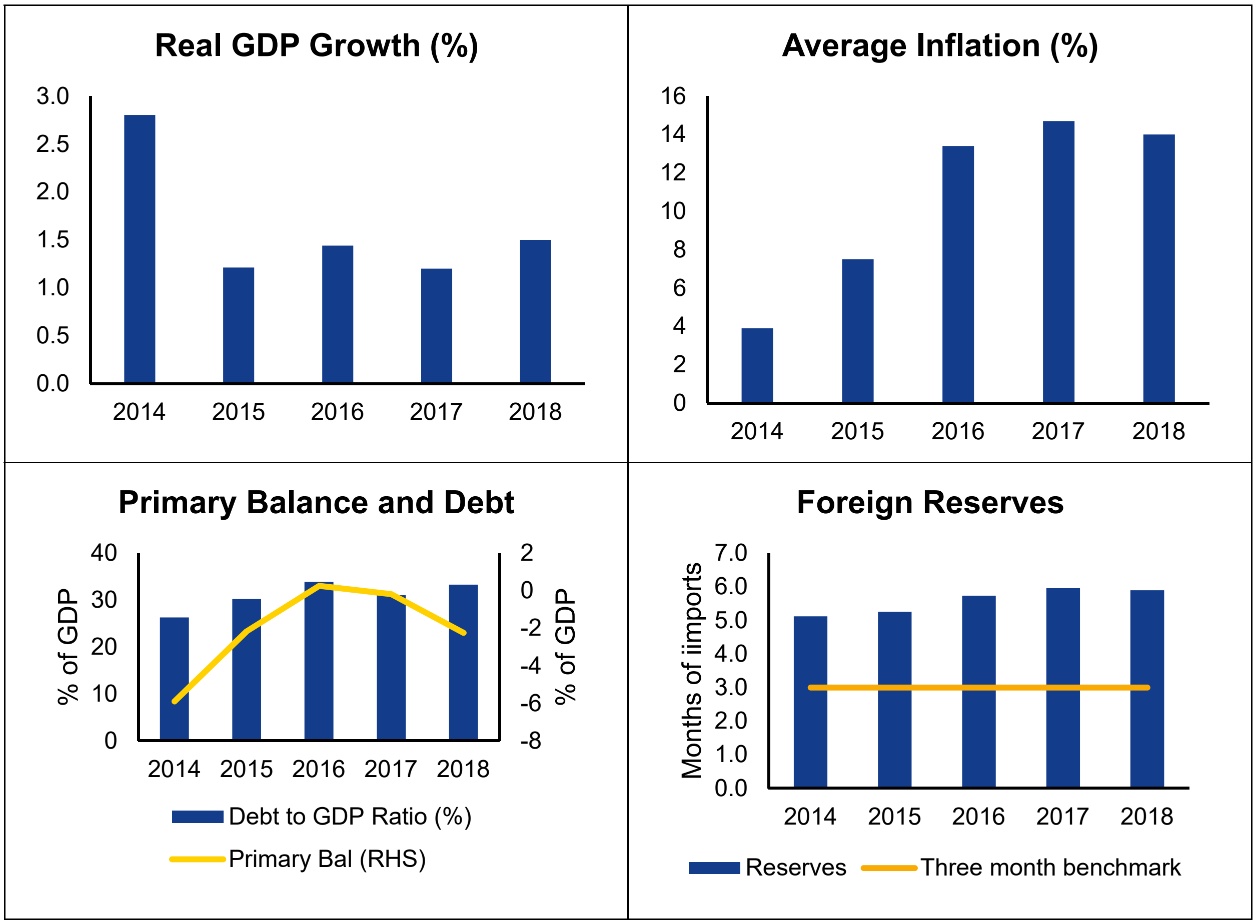
Source: Guyana Bureau of Statistics; Bank of Guyana; CDB Staff estimates.

HAITI

Real GDP grew by 1.5% in fiscal year 2017/18, as reported in CDB's Country Economic Review in March 2019.

CDB is revising its growth projection for 2019 down to 1.8%, from 2.3%. Since February, fuel shortages have worsened following the collapse of a fuel supply agreement with US firm Novum Energy. This has created a highly uncertain investment and industrial climate that has dampened growth prospects.

Key Statistics



Source: Haitian Institute of Statistics and Informatics; CDB Staff estimates.

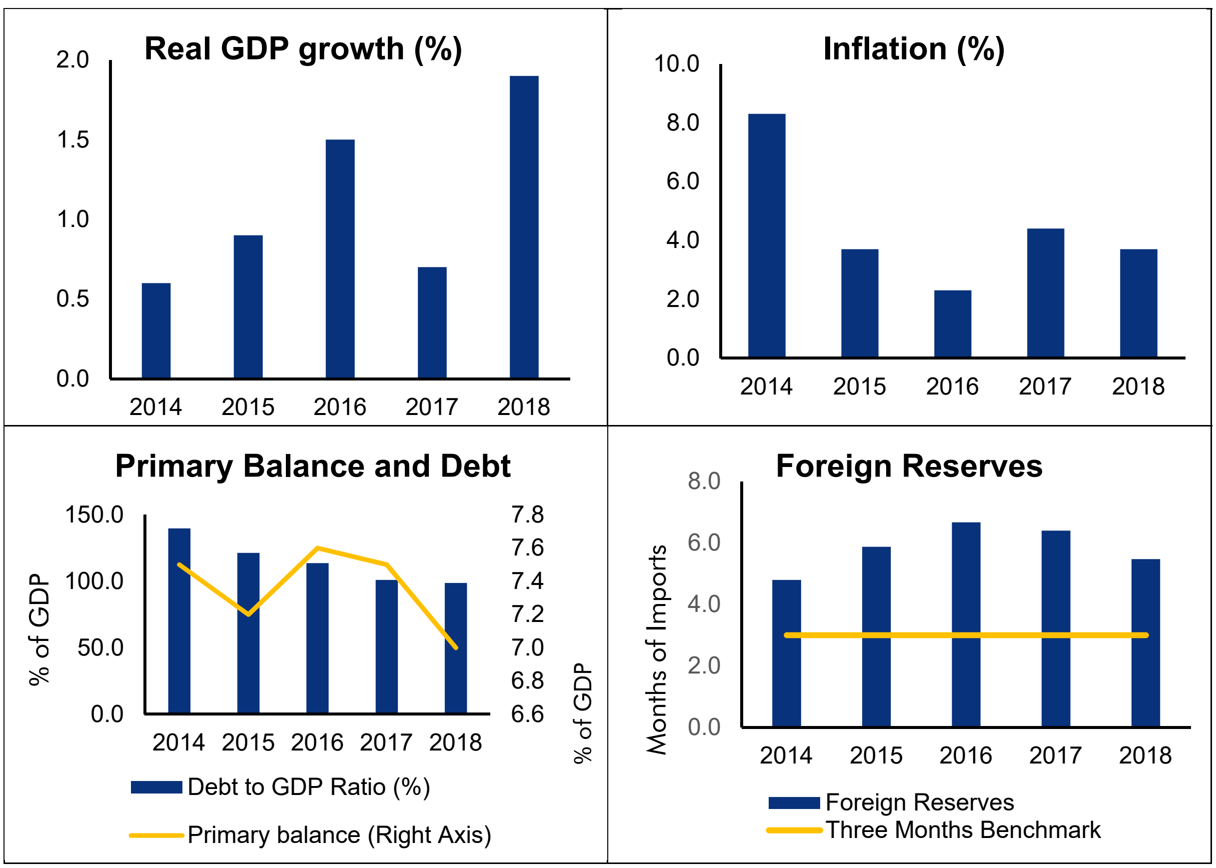
JAMAICA

Real GDP growth in 2018 was 1.9%, slightly higher than the 1.7% previously estimated by CDB. This revision was mainly due to stronger than expected mining, construction, and agricultural performance.

The primary surplus was 7.0% of GDP in fiscal year 2018/19, with public debt falling to 98.7% of GDP at end-March 2019—the lowest since the fiscal year 2000/01.

Based on first quarter data, **CDB projects that growth will be 1.9% in 2019**, compared with the previous forecast of 1.7%. The mining sector will be a key engine to growth. Also, the easing of monetary policy will support credit growth.

Key Statistics



Source: Statistical Institute of Jamaica; Central Bank of Jamaica; Ministry of Finance and the Public Service; and CDB Staff estimates.

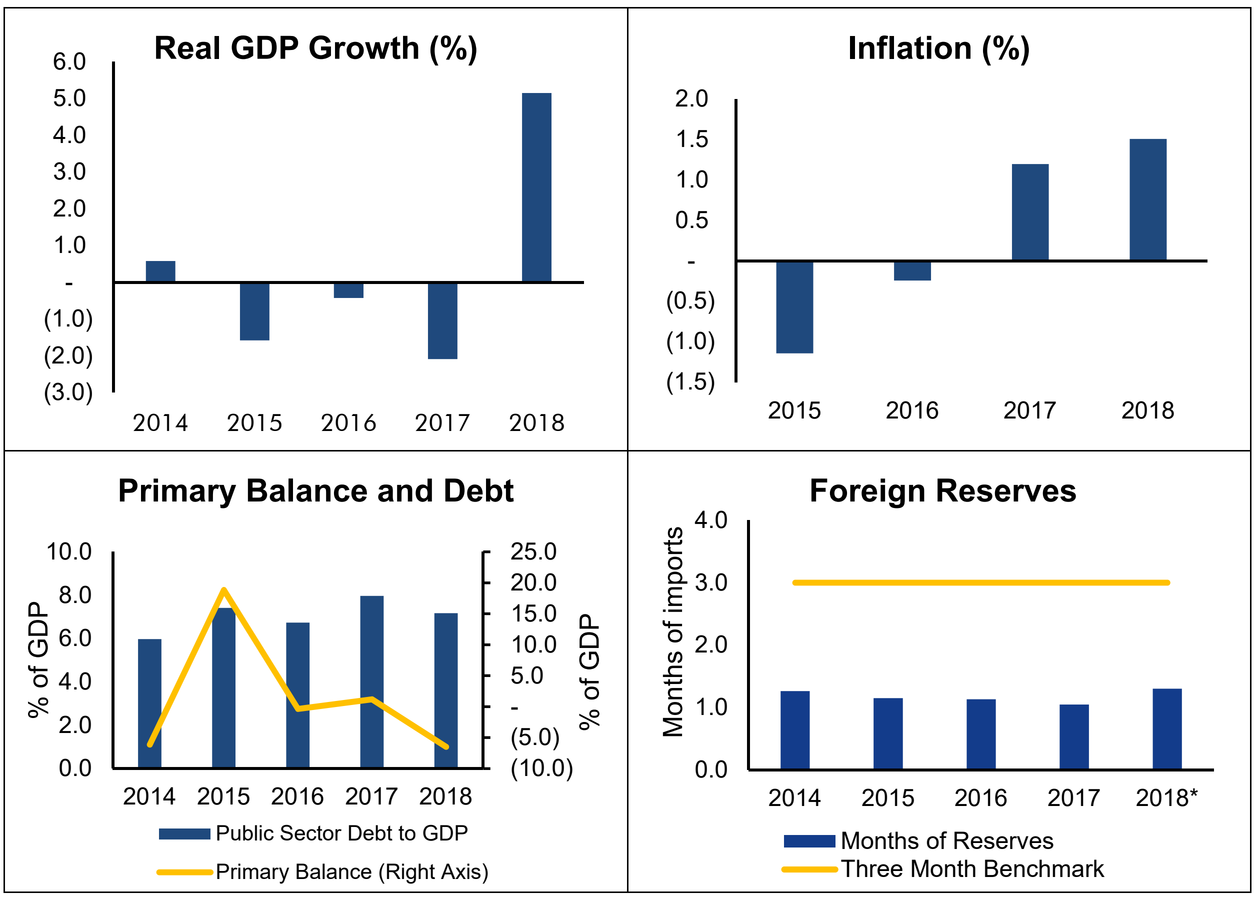
MONTSERRAT

Based on published data from the Eastern Caribbean Central Bank for 2018, **Montserrat's real GDP growth was revised to 5.2%,** from the 1.6% reported in CDB's Country Economic Review of March 2019. Positive growth in public administration, the biggest contributor to GDP, and stronger construction activity drove the increase.

There was a downward revision to government's fiscal performance for 2018. The estimate of the primary deficit was adjusted down to 6.5% of GDP, from 3.8%. This adjustment was mainly influenced by higher spending than previously reported. Public sector debt was revised to 7.2% of GDP at the end of 2018; versus the previous estimate of 6.1%.

CDB is maintaining its growth projection for 2019 at 2.0%, based on increased public sector construction activity.

Key Statistics



Source: Eastern Caribbean Central Bank; CDB Staff estimates.

SAINT KITTS AND NEVIS

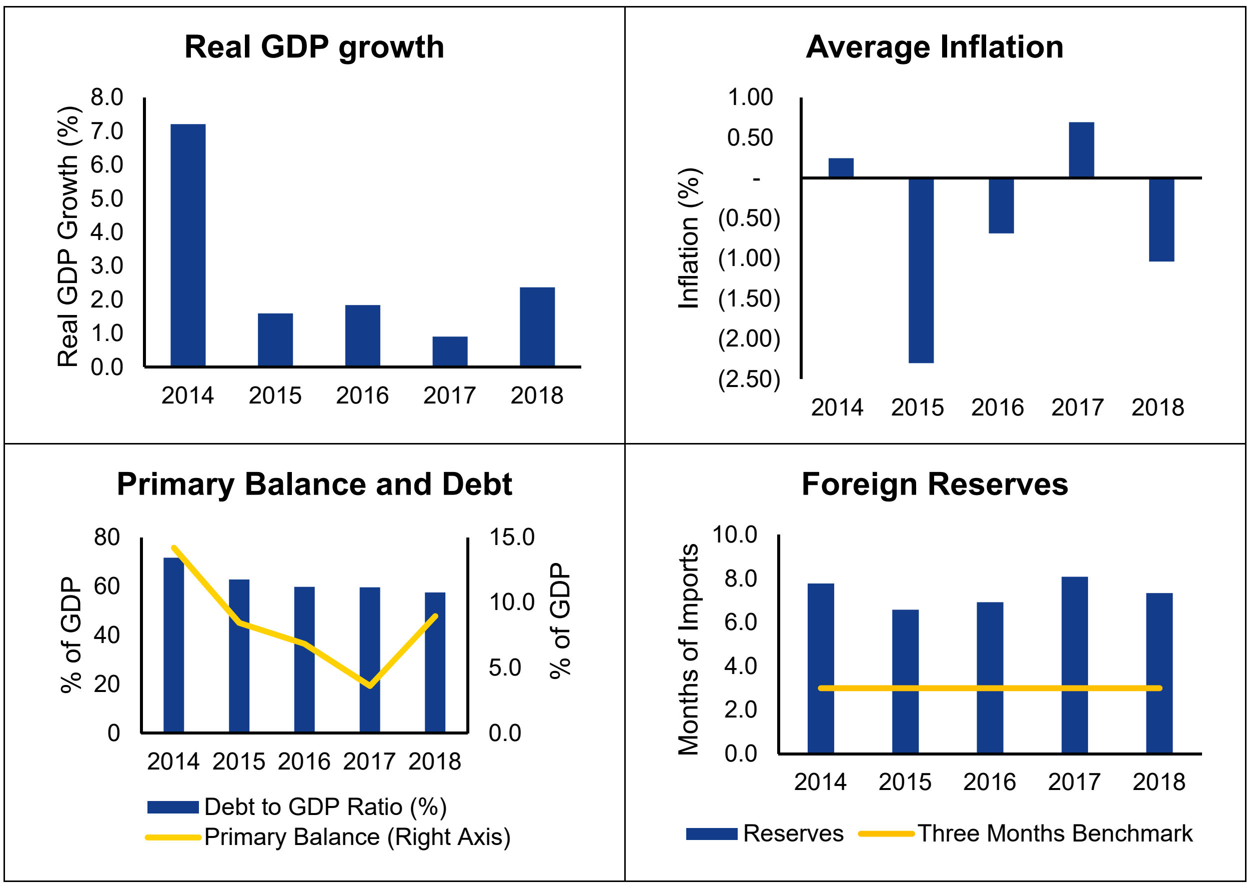
Real GDP grew by 2.4% in 2018. This was a slight downward revision from CDB's previous estimate of 2.5%, as reported in the Country Economic Review in March 2019.

Stronger activity in wholesale and retail trade was roughly balanced by a dip in construction activity, although major public infrastructure developments continued on both islands.

In the first six months of 2019, overall fiscal performance has been very strong, as citizenship by investment revenue increased to XCD 271 mn from XCD 154 mn in the same period last year. Consequently, the primary balance rose to 7% of GDP, from 2%.

It is estimated that growth will be 2.8% in 2019, slightly below the 3.0% growth rate previously projected. Two major luxury hotel developments that should have started in the last quarter of 2018 were delayed, and no new start dates have been announced.

Key Statistics



Source: Eastern Caribbean Central Bank, CDB Staff estimates.

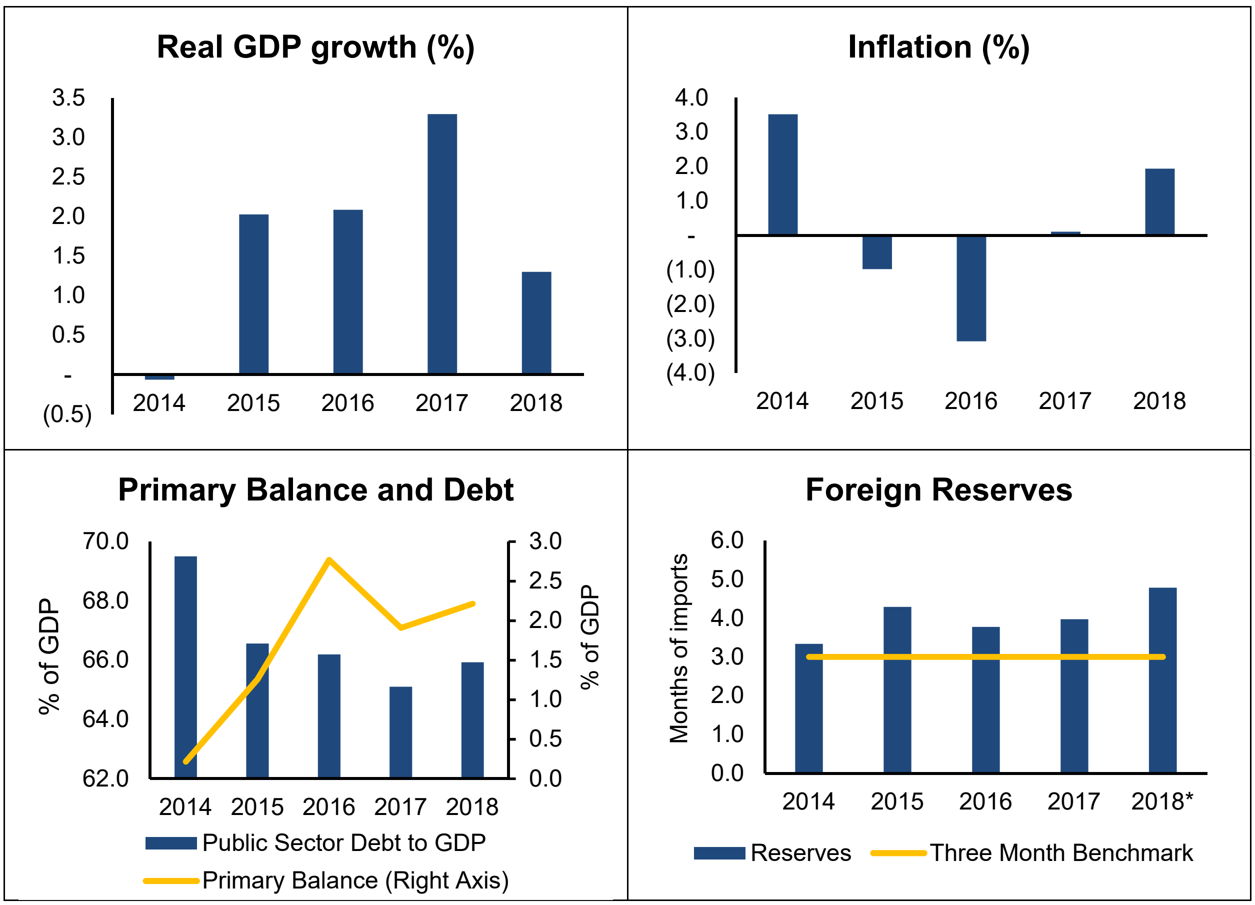
SAINT LUCIA

Official data from the Eastern Caribbean Central Bank 2018 reflect an **upward adjustment in real GDP growth in 2018 to 1.3%,** from the 0.6% reported in CDB's Country Economic Review of March 2019. Stronger than expected growth was driven primarily by higher levels of tourism-related activities.

There was a downward revision to government's fiscal performance for 2018. The estimate of the overall balance was downgraded to a deficit of 0.9% of GDP, from a reported surplus of 0.3%. Similarly, the primary surplus was adjusted downwards. These revisions were mainly influenced by higher spending than previously reported. Public sector debt was estimated at 65.9% of GDP for the end of 2018.

CDB is lowering its growth projection for 2019 to 2.0%, from 3.0%. Slower global growth and delays in domestic private sector construction activities underpin the forecast for lower gross output for 2019.

Key Statistics



Source: Eastern Caribbean Central Bank; CDB Staff estimates.

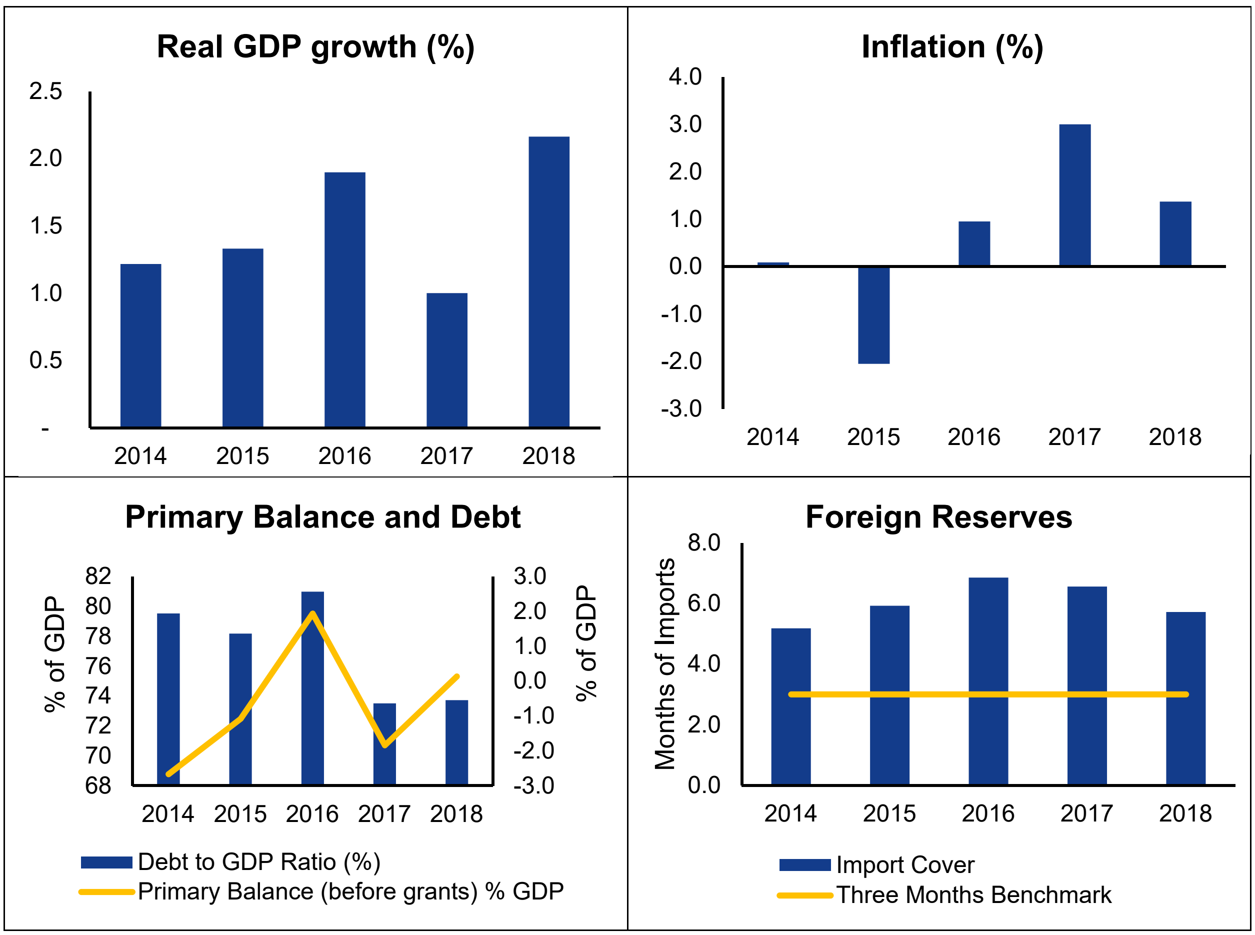
SAINT VINCENT AND THE GRENADINES

Economic growth strengthened during 2018. **Real GDP increased by 2.2%**, 1.2 percentage points higher than 2017, supported by recovery in tourism activity following the opening of the Argyle International Airport. There was also strong growth in manufacturing as a result of an increased demand for reconstruction materials from hurricane-impacted countries, and in fishing.

The 2018 growth outturn was lower than CDB's previous estimate of 2.8%, mainly due to lower than projected growth in the heavily-weighted transport sector.

CDB's growth outlook for 2019 remains positive at 2.0% as stayover arrivals continue to improve in the first four months of the year.

Key Statistics



Source: Government of Saint Vincent and the Grenadines.

SURINAME

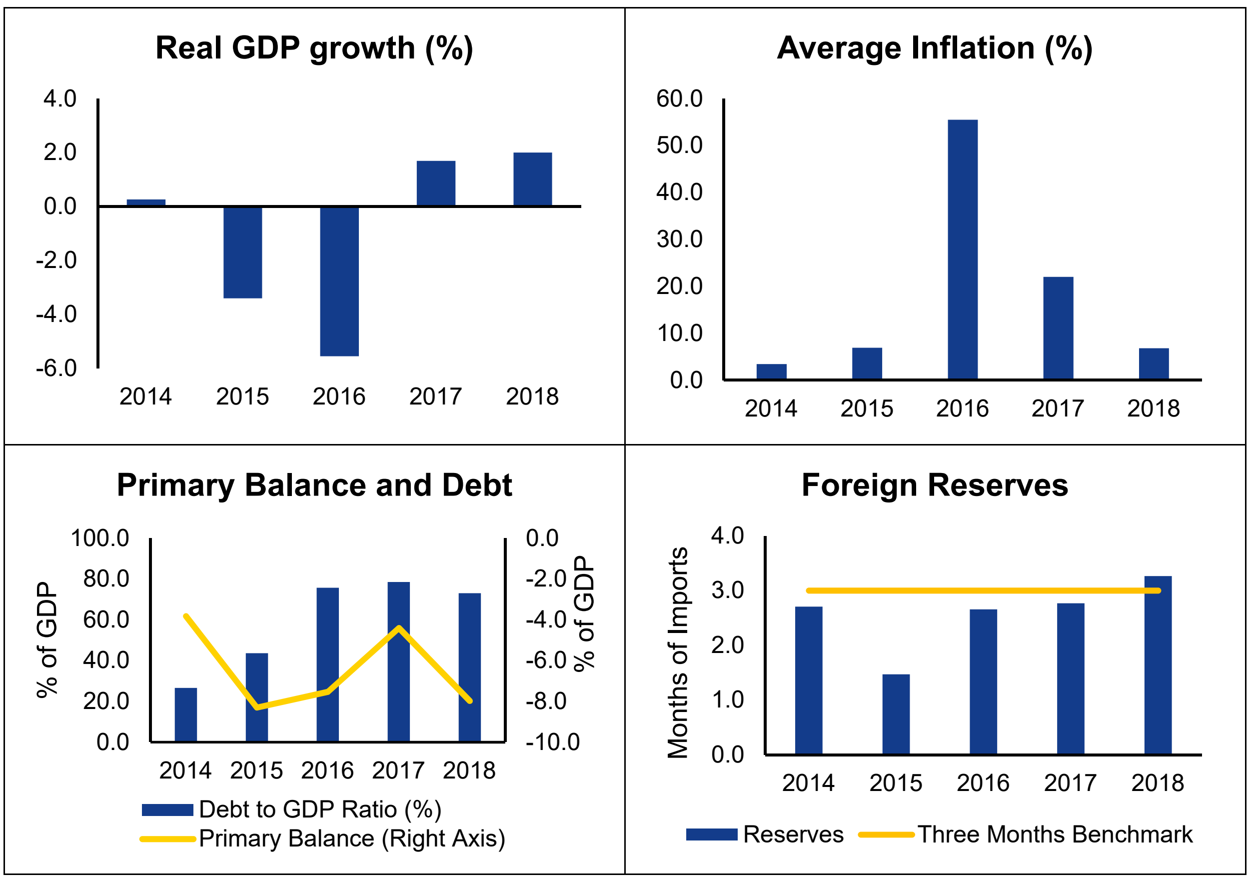
Real GDP grew by an estimated 2.0% in 2018, as reported in the Country Economic Review in March 2019, with higher levels of production and increasing investment in the resources sector the main drivers. Yearly inflation further eased to 4.6% in April 2019, from 5.4% at the end of 2018 as the official exchange rate reported by the Central Bank of Suriname remained unchanged.

International reserve assets increased to USD 713 mn in May, or 3.7 months of imports of goods and services, from 3.3 months of imports in December.

Fiscal operations during the first half of 2019 resulted in an increase of the total budget deficit to SRD 1,680 mn, from SRD 1,076 mn in the first half of last year. A strong increase in tax revenue was more than outweighed by increases on the expenditure side.

CDB's forecast for economic growth for 2019 is unchanged at 2.3%, based on a further rise in mining and oil activities, and positive spillover effects into the other sectors.

Key Statistics



Source: General Bureau of Statistics, Suriname; Central Bank of Suriname; CDB Staff estimates.

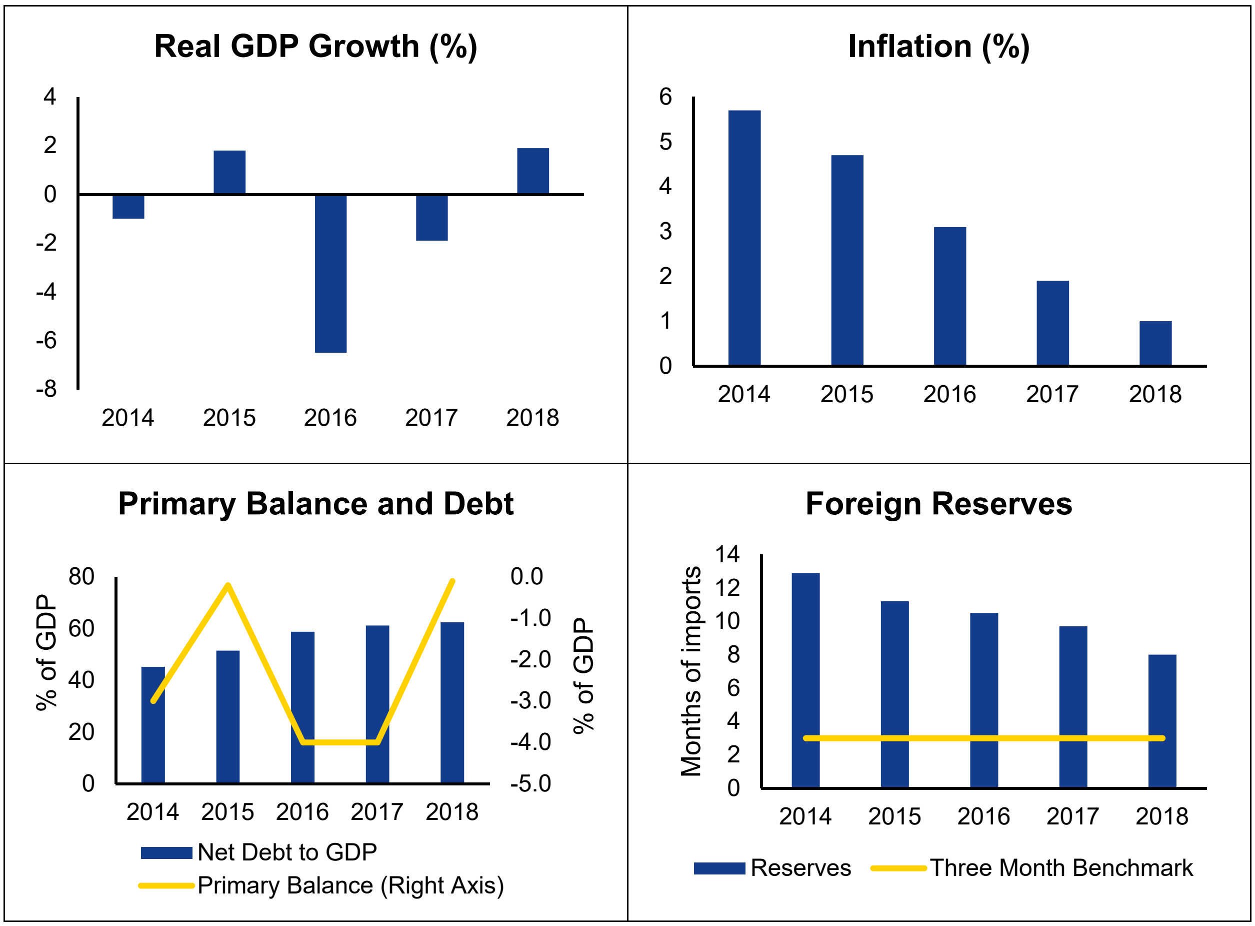
TRINIDAD AND TOBAGO

Official data from the Central Statistics Office for 2018 suggest **real GDP growth of 1.9%**, consistent with CDB's previous estimate as reported in the Country Economic Review in March 2019.

Available data on government's fiscal performance indicate further improvement. Estimates of overall and primary deficits have been adjusted to 2.6% and 0.1% respectively, compared to 4.0% and 1.2%, as reported in March. Net public sector debt was estimated at 62.4% of GDP by the end of 2018.

CDB is revising its growth projection for 2019 downwards to 1.4%, from 2.0%. This is on account of weaker projected output production from both the energy, and non-energy sectors of the economy.

Key Statistics



Source: Central Statistics Office, Trinidad and Tobago; Central Bank of Trinidad and Tobago; and CDB Staff estimates.

TURKS AND CAICOS ISLANDS

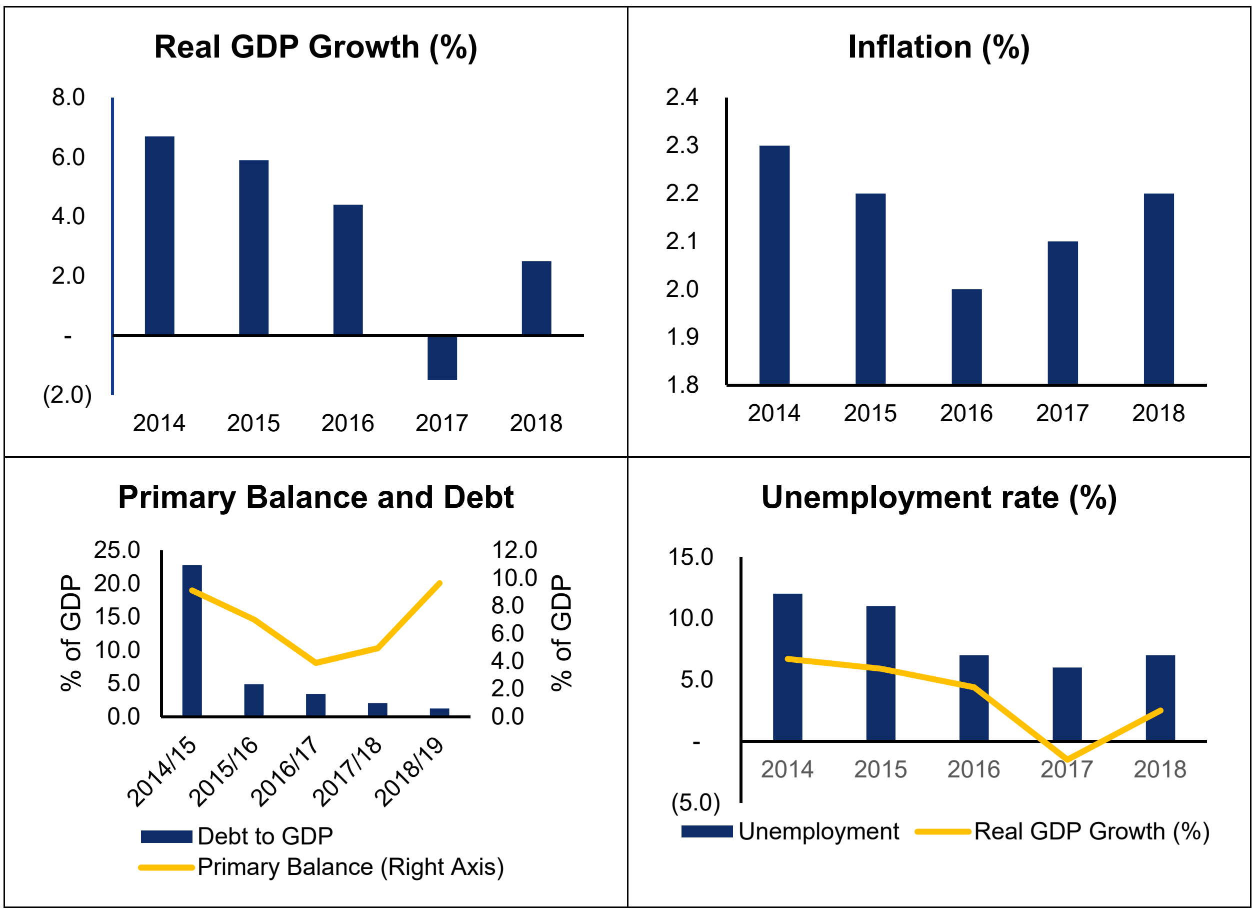
Real GDP grew by 2.5% in 2018, marginally lower than CDB's previous estimate of 2.6%, as reported in the Country Economic Review in March 2019. This rebound in growth, following a 1.5% decline in 2017, was driven by a recovery of tourism and construction activities.

Inflation measured by the consumer price index rose to 2.2% in 2018 compared to 2.1% in 2017.

Public finances improved in fiscal year 2018/19 as the overall fiscal balance increased to USD 73.2 mn (9.5% of GDP), compared to USD 47.3mn (4.8%) in the fiscal year 2017/18. Total government debt fell to USD 9.4 mn at end-March 2019, from USD 19.8 mn at end-March 2018.

Growth projections for 2019 remain at 3.5%. Improved tourism performance, recorded in the first two months of the year, is expected to continue. This and ongoing construction activity will support economic growth during the year.

Key Statistics



Source: Government of the Turks and Caicos Islands; CDB Staff estimates.

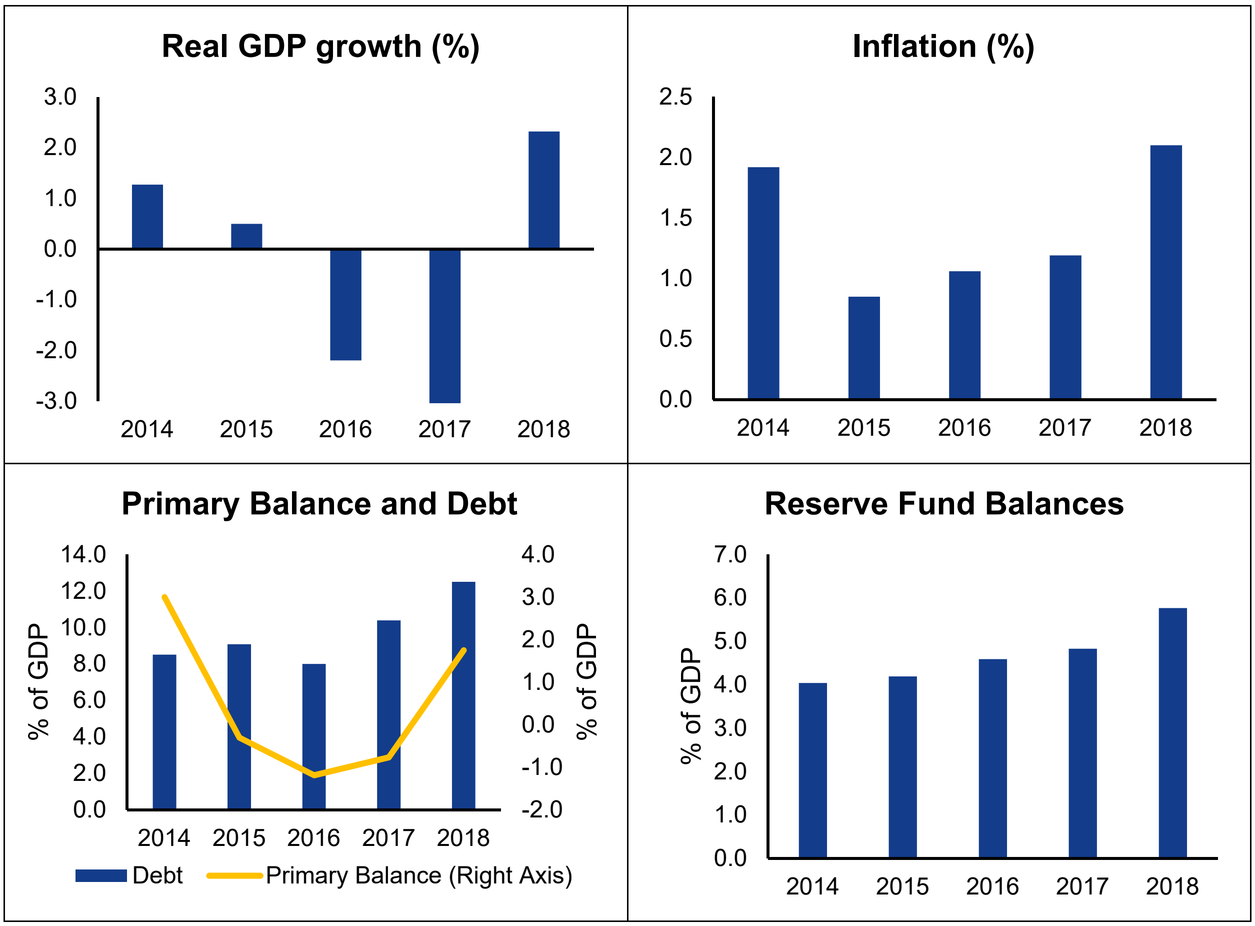
VIRGIN ISLANDS

Real GDP grew by 2.3% in 2018, no change from CDB's previous estimate reported in the Country Economic Review in March 2019.

An overall fiscal surplus of 1.2% of GDP was recorded in 2018. Higher revenues from the financial services sector and lower than budgeted capital outlays contributed to the positive outturn. The reserve fund balance at the end of 2018 was USD 70 mn (21.6% of 2018 recurrent expenditure), slightly below the target of 25% set under the borrowing limits of the Protocols for Effective Management, agreed with the United Kingdom.

Growth projections for 2019 remain at 2.2%. Improved tourism performance in the first two months of the year, as well as continued construction activity will support economic activity during the year.

Key Statistics



Source: Government of the Virgin Islands; CDB Staff estimates.

CARIBBEAN DEVELOPMENT BANK
P.O. Box 408, Wildey, St. Michael, Barbados
Tel: (246) 431-1600 • Fax (246) 426-7269
www.caribank.org • Email: info@caribank.org