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Slight Improvements in Economic Performance… but Pandemic Challenges Persist.

OVERVIEW

In the third quarter of 2021, the performance of the domestic economy improved when compared to the second quarter of 2021. Trinidad and Tobago's energy sector benefitted from more favourable international prices. With regard to the sector's output, there were contrasting outcomes as oil production increased, while natural gas production continued to trend downward. Output in the downstream sector was also a mixed bag. Activity in the non-energy sector was slightly better than that of the previous quarter, given the removal of some COVID-related restrictions in the months of August and September. Based on these developments Republic Bank estimates that economic activity increased by 2.7 percent in the third quarter of 2021 compared to the second quarter of 2021. The government increased its spending to mitigate the challenges generated by the second wave of COVID-19 infections, which commenced in May 2021. As a result, the government recorded a larger fiscal deficit in the third quarter of 2021 compared to the second quarter of this year. This fiscal deficit was also greater than the deficit which was recorded in the third quarter of 2020. The Composite Stock Price Index grew by 8.6 percent, to reach 1,430.7 at the end of September 2021, up from 1,317.2, at the end of September 2020. The Market Turnover Value ($149.2 million) and the Number of Transactions (1,359,000) for September 2021 were also higher than the $50.2 million and the 792,000 transactions that were recorded in September 2020.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

Indicator	2020	2020.3	2021.3 p/e
Real GDP (% change)	-7.4	6.9	2.7
Retail prices (% change)	0.6	0.52	2.2
Unemployment Rate (%)	NA	NA	NA
Fiscal Surplus/Deficit ($M)	-16,689.9	-6,018.4	-6,536.6
Bank Deposits (% change)	7.85	2.78	-0.64
Private Sector Bank Credit (% change)	0.45	0.34	0.38
Net Foreign Reserves (US$M)	10,308.1	10,474.7	10,786.8
Exchange Rate (TT$/US$)	6.72/6.78	6.71/6.78	6.73/6.78
Stock Market Comp. Price Index	1,323.1	1,317.2	1,430.7
Oil Price (WTI) (US$ per barrel)	39.17	40.89	70.61
Gas Price (Henry Hub) (US$ per mmbtu)	2.03	2.00	4.36

Source: - Central Bank of Trinidad and Tobago, TTSE, EIA
p – Provisional data
e – Republic Bank Financial Holdings Limited estimate
*** - RBL Forecast**

ENERGY SECTOR

Average crude oil prices increased for the fifth successive quarter between July and September 2021. This rise was as a result of steady draws on global oil inventories, which were spurred by global concerns about energy supply given signs of tightness in crude markets. Prices remained elevated in the first two months of the fourth quarter, after OPEC+ announced in early October, that the group would not accede to requests to increase output at a faster rate but instead would keep its production targets unchanged. OPEC+ planned to increase production by 400,000 barrels per day (b/d) for the month. The West Texas Intermediate (WTI) crude oil price averaged US$70.61 per barrel in the third quarter of 2021, which was 6.7 percent above the second quarter price and 72.7 percent higher than the average price recorded in the third quarter of 2020 (Figure 1). The average natural gas price was US$4.36 per million British thermal units (mmBtu) in the third quarter, which was 48.3 percent greater than the price in the previous quarter and 118 percent higher than the price a year ago. Turning to production, average oil output fell by 0.6 percent in the first two months of the quarter to 59,072 barrels per day (b/d) compared to the average of the second quarter of 2021. However, on an annual basis, production was 3.3 percent higher than the 57,173 b/d recorded in the July-August period of 2020. Natural gas output continued to trend downward. The

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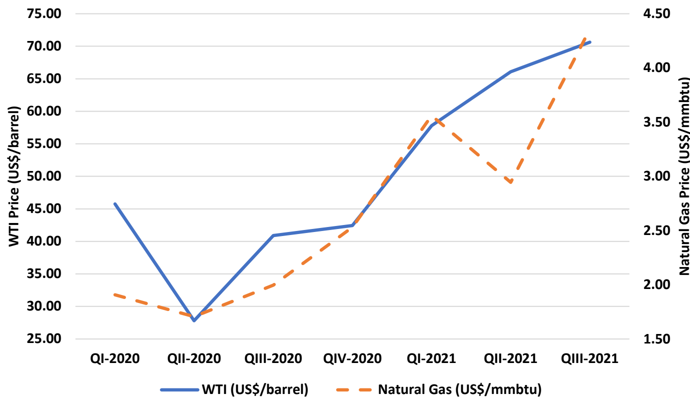
average production of 2,369 million standard cubic feet per day (mmscf/d) was 5.9 percent lower than the second quarter of 2021 and 18.9 percent lower than the same period in the previous year.

Figure 1: WTI Oil Price and Henry Hub Natural Gas Price



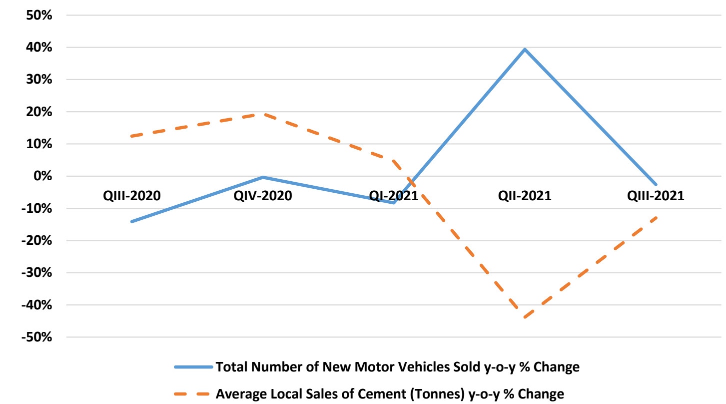
Source: US Energy Information Administration

Production in the petrochemical sector was a mixed bag. Liquified natural gas (LNG) output declined by 49 percent during the July-August period, when compared to the same period in 2020. The production of ammonia, contracted by 3.9 percent year-on-year (y-o-y) in the first two months of the third quarter. On a positive note, output for urea and methanol increased by 1.3 percent (y-o-y) and 8.2 percent (y-o-y), respectively during the period. The price of petrochemical commodities continued to trend upward. At US$481.83 per metric tonne, the average price of methanol was 77.7 percent higher than the levels recorded in the third quarter of 2020. The average price of ammonia registered an even sharper increase of 247 percent to reach US$565.17 per metric tonne, while the average price of urea also increased by 112.3 percent (y-o-y) in the third quarter of 2021.

NON-ENERGY SECTOR

The pharmacy, supermarket and financial sectors likely fared relatively well in the third quarter of this year, as they faced the least restrictions on their operations during the SOE. Local sales of cement contracted by 13 percent (y-o-y) in the third quarter of 2021 (Figure 2) and this decline was smaller than the 43.8 percent (y-o-y) contraction that was recorded in the previous quarter. This suggests that the decline in construction activity slowed in the third quarter. The slower decline was mainly due to the government's decision to slowly remove COVID-related restrictions that were initially imposed during the SOE, which began on May 15th, 2021. In the trade and repair sector, new vehicle sales at 2,778, were 178.4 percent above the previous quarter but 2.6 percent below third quarter 2020 levels. It should be noted that this significant quarter-on-quarter increase in new vehicle sales is not an indication of higher demand but was due to low base effects. The low level of vehicle sales (998) in the second quarter of 2021 was mainly due to lockdown measures. Manufacturing sector activity most likely improved heading into September, as COVID-related restrictions on the sector were also being removed incrementally in August 2021.

Figure 2: Growth of Cement Sales and New Motor Vehicles Sales



Source: CBTT

FISCAL POLICY

Based on the latest information from the Ministry of Finance, the government was expected to record an overall deficit of $6,536.6 million in the third quarter of 2021, which would have been higher than the deficit of $6,018.4 million in the third quarter of 2020. Total revenue was expected to increase in the third quarter of this year by approximately 38 percent to $11,126.5 million, up from $8,061.4 million in the second quarter of 2021. However, this was offset by the 55.9 percent increase in total expenditure to $17,663 million, from $11,330.5 million in the second quarter of 2021.

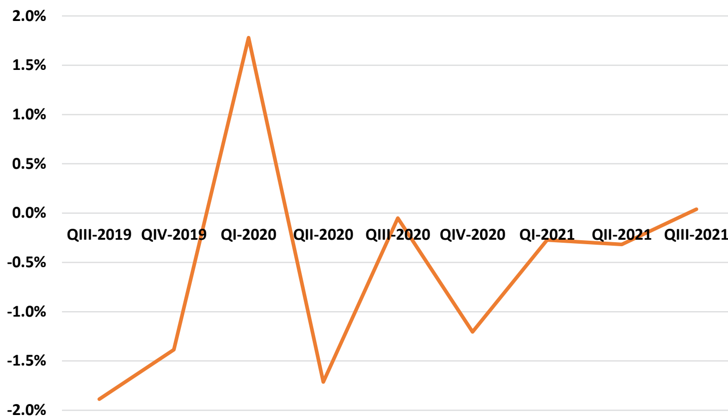
MONETARY POLICY

The Central Bank's Monetary Policy Committee (MPC) maintained the 'repo' rate at 3.5 percent in its September 2021 Monetary Policy Announcement. The CBTT's decision to hold the 'repo' rate at this level was based on the need to stimulate economic activity, with inflation still at manageable levels, notwithstanding significant upward pressure. Several central banks in emerging markets and developing countries have already raised policy rates due to higher-than-normal inflation rates. Furthermore, there are signs that the United States Federal Reserve (FED) is considering a faster wind-down of its bond-buying programme, which alludes to an earlier-than-expected interest rate hike. Going forward, the MPC will continue to monitor these international developments, as well as domestic economic and financial conditions.

Private sector credit grew by 0.4 percent in the third quarter of 2021, when compared to the second quarter of 2021. The demand for business loans remained weak during the third quarter, as it grew by just 0.04 percent compared to the second quarter (Figure 3). However, business loans contracted by 1.75 percent (y-o-y) in the third quarter of 2021. Consumer loans expanded by 0.28 percent on a quarter-on-quarter (q-o-q) basis in the third quarter of 2021, which was an improvement from the q-o-q contraction of 2.9 percent in the

second quarter of 2021. Growth in real estate loans slowed slightly, expanding by 0.67 percent q-o-q in the third quarter of 2021, compared to growth of 0.9 percent q-o-q in June 2021.

Figure 3: Growth of Business Loans quarter-on-quarter % Change



Source: CBTT

RESERVES

Net Official Reserves contracted by 3.2 percent (y-o-y) in September 2021 to US$7,072.7 million, representing 8.6 months of import cover. The country's stock of foreign exchange was boosted by the IMF's allocation of Special Drawing Rights (SDR) of approximately US$644 million on August 23rd, 2021. During the period July to September 2021, total sales of foreign currency by authorised dealers to the public reached US$1,316 million, which was 24.5 percent higher than the amount sold (US$1,057 million) in the same period one year earlier. The purchase of foreign currency from the public by all authorised dealers, also increased by 38.9 percent from US$739 million in the third quarter of 2020 to US$1,026 million.

OUTLOOK

Trinidad and Tobago is currently facing a third wave of COVID-19 infections. As at November 30th, 2021, the 7-day rolling average of new cases was 627, which surpassed the previous high of 542, recorded on May 26th, 2021. In November, the country had a record number of COVID-19 infections (14,032) and COVID-related deaths (462). Despite these numbers and ample vaccine supplies, there is considerable hesitance among certain sections of the population. Heading into the final quarter of 2021, the rate of vaccination slowed significantly and as at November 30th, only 46 percent of the total population was fully vaccinated. This could hinder the level of economic activity in the months ahead. The non-energy sector in particular, may be constrained by COVID-related risks related to low domestic vaccination rates and the growing concern surrounding the emergence of new strains of the coronavirus around the globe. Over the next six months, the energy sector will see a slight improvement in natural gas production as specific projects (like BHP's Delaware and Ruby, Royal Dutch Shell Trinidad's Barracuda and Colibri, and Touchstone's Coho and Cascadura) slowly come on stream and/or approach peak production.

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The Economist
Republic Bank Limited, P.O. Box 1153, Head Office, 9-17 Park Street, Port of Spain, Trinidad and Tobago

Tel: 868-623-10568. Fax: 868-624-1323.
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Learning to Live with COVID-19

Easier Said than Done

Overview

At a time when the world is increasingly coming to terms with the fact that it must learn to live with the COVID-19 pandemic, the Caribbean is learning that this endeavor, will by no means, be simple. In addition to having to surmount the hurdle of acquiring adequate supplies of vaccines, many regional states are now confronted by substantial vaccine hesitance, which presents immense risks to their economies and national health systems. In recognition of this fact, a few regional states have moved to impose vaccine mandates, which were met by strong resistance from some organisations and among segments of the population. Add to these challenges, the emergence of new variants of the virus and rising prices due to global supply chain disruptions and you have a truly daunting environment. It's not all bad however, as there were some encouraging developments in the third quarter of 2021. Firstly, given varying degrees of restrictions among Caribbean states and improved conditions in some major tourism source markets, some regional destinations saw increased tourist arrivals. In October, the World Travel and Tourism Council revealed that the Caribbean tourism sector was recovering at a faster rate than any other region in the world. Secondly, parts of the region experienced upbeat construction activity, as work continued on major infrastructural upgrades in some countries which, not only provided economic stimulus but also bodes well for the future of tourism and other industries. As it relates to the region's energy producers, they benefitted from higher international prices, during the period. Against this backdrop, the region registered a mixed performance during the third quarter, with some economies posting high levels of activity relative to the same period in 2020.

Anguilla

A year after it was identified as a non-cooperative jurisdiction for tax purposes and consequently blacklisted by the European Union (EU), Anguilla was removed from the list in October 2021. After committing to review its tax system, the country was placed on the "grey list", now recognised by the EU as a jurisdiction that does not yet comply with all international tax standards but has committed to the principles of good tax governance. The move comes at a time when the leak of millions of files on the offshore financial activity of many of the world's global elite, interestingly labelled the "Pandora Papers", has caused the EU's blacklist to come under greater scrutiny. The concern is not related to the jurisdictions that are on the list, as much as it is to those that are omitted. As asserted by French EU lawmaker, Ms. Aurore Lalucq, some of the most notorious tax havens are not even listed, while the countries that remain blacklisted account for a relatively small portion of financial flows. Pursuant to the previous administration's agreement with the UK to reform the domestic tax system, legislation was passed to implement the controversial 13 percent General Services Tax (GST), despite some members of the then government voting against the bill. In fact, there has been substantial resistance to the GST, which is due to come into effect in January 2022, with several interest groups imploring domestic and UK authorities to reverse the decision. Turning to tourism, the latest available data reveal

that Anguilla experienced a 43.1 percent decline in stay-over arrivals during the first seven months of 2021. However, with the winter months approaching, it is not unreasonable to expect the performance of the sector to improve, despite the continued COVID-19 related challenges. In preparation for the winter season, four hotels, including the Zemi Beach Hotel and Spa reopened on October 21st and 22nd.

Barbados

Amid extremely difficult circumstances that have caused the erosion of much of the fiscal gains under the IMF-supported Barbados Economic Recovery Transformation programme (BERT), comes some positive news. Economic activity expanded for the second successive quarter between July and September 2021, increasing by 10 percent year-on-year (y-o-y). This growth was facilitated by the improved performance of the tourism sector and stronger commercial activity, as virus-related restrictions reduced. As encouraging as it was, the outturn for the third quarter was not enough to offset the 19.8 percent contraction recorded in the first quarter. Consequently, real GDP contracted by 3.2 percent y-o-y during the period January-September, compared to the same period in 2020. The third quarter saw stay-over tourist arrivals rise to their highest levels since the emergence of the pandemic, reaching 43,019, compared to 13,247 in the same period in the previous year. However, this was only 27.7 percent of the figure recorded in third quarter 2019. With the positive economic performance there was some improvement in the job market, with unemployment declining by 1.3 percent to 15.9 percent in the second quarter. Anecdotal evidence suggests this trend continued in the third. With improved economic activity, government revenue increased during the first half of the fiscal year (April-September) but this rise was outweighed by the expansion in expenditure, resulting in the narrowing of the fiscal surplus to $36.3 million from $152 million a year earlier. As it relates to the country's external accounts, the acquisition of additional external debt and an injection from the IMF via its allocation of special drawing rights (SDRs) to members, boosted Barbados' reserves during the first nine months of 2021. Gross international reserves ended the period at $2,865 million, approximately 10.4 months of import cover. After taking the decision to remove the Queen of England as its Head of State, the country is set to swear in Dame Sandra Mason as its first President on November 30th, the 55th anniversary of its independence from Britain.

British Virgin Islands

During his 2022 National Budget Speech on November 11th, Premier and Minister of Finance, Andrew Fahie, revealed that the country's financial services sector registered a solid recovery in 2021, after enduring a very difficult period in 2020. He indicated that incorporations during the first eight months of the year were 65.5 percent above the levels recorded in the same period in 2020, with fee revenue 3.7 percent higher. Regarding tourism, the Premier expressed a fair amount of optimism for an improved performance in the coming months, based on the restart of cruise activity in October and anecdotal evidence which suggest that demand is increasing gradually. The country is also moving to enhance the infrastructure of its ports of entry, including upgrades that will allow its main airport to accommodate more airlines. There will also be initiatives to improve passenger experience, such as the planned acquisition of X-ray machines to shorten the screening process. In terms of the confirmed performance of the sector, stay-over arrivals fell by 72 percent y-o-y in the first seven months of 2021, while there were no cruise visitors. The 2022 Budget projects total expenditure to reach $397.17 million, $39.4 million of which represents capital expenditure. Government revenue is expected to total $356.7 million.

Cayman Islands

With a COVID-19 vaccination rate of 75 percent, the Cayman Islands ranks among the highest in the world. This accomplishment infuses considerable confidence in the jurisdiction's phased re-opening of its borders, with the launch of phase 4 occurring in the third week of November. In this phase, fully vaccinated visitors and residents returning to Cayman will no longer be required to quarantine on arrival. However, with this stage taking place against a backdrop of rising domestic COVID-19 infections, the authorities' optimism will no doubt be tempered by trepidation. Nevertheless, this move is likely to spur greater tourist arrivals heading into the winter season, though the recovery of the sector is expected to be gradual. Although visitors were allowed before phase 4, arrivals continued to be severely suppressed in the third quarter, owing to virus-related restrictions, particularly the requirement for visitors to quarantine. As such, the sector remained stalled. Despite the standstill of the tourism sector, government registered a better-than-expected fiscal performance in the third quarter of 2021, attributable to receipts from stamp duty, import taxes and financial sector fees. For instance, the public purse benefitted from new revenue streams related to the registration of new private funds, collecting $51 million that was unbudgeted. During the period, total revenue was $180.2 million above the level recorded in third quarter 2020, while expenditure was $93 million higher, producing an overall net fiscal surplus of $70.7 million.

Cuba

Moves by the government to suppress another round of protest action, planned for November 15th, 2021, will certainly not help to ease the country's frosty relationship with the US. To counteract the Cuban government's tighter control of the island's internet in the wake of this latest show of dissent and the massive protests in July, US authorities have been evaluating the avenues by which they can provide internet access to Cubans. Regarding economic activity, Cuba continues to face strong headwinds related to US sanctions and the ongoing pandemic. In the tourism sector for example, stay-over arrivals, which totalled 163,764 in the first eight

months of the year were 83.4 percent below the levels recorded during the same period in 2020. Emboldened by the production of its own versions of the COVID-19 vaccine and the subsequent relative high rates of inoculation among Cubans, the country removed the need for mandatory testing and quarantining for visitors. Now, only tourists without proof of vaccination will need to show a negative PCR test. The country has also begun to exploit the commercial benefits of its vaccines, sending its first shipment of the three-shot Abdala vaccine to Vietnam in September. Reflective of the severe foreign exchange challenges facing the country, it sought and was granted an agreement with the Paris Club of creditor nations for the postponement of an annual payment due in November to 2022. As part of its gradual economic reforms, Cuba authorised the operations of 32 privately-owned micro, small and medium enterprises (MSMEs) in the manufacturing, food production and recycling sectors, among others. This is the first time such approval was granted for six decades and though encouraging, is not expected to usher in a period of rapid transformation.

Dominica

The Citizenship by Investment programme (CBI) continues to be a critical source of financing for Dominica, accounting for a quarter of the $993.6 million 2021/2022 projected budget. The CBI is also expected to fund the construction of the international airport to be built in the north east of the island, at a cost of $1 billion. The completion of the airport (expected within 5 years) will significantly enhance the nation's tourism infrastructure, since the facility will be able to accommodate large commercial and cargo flights. The government is expected to provide the construction contract for the project in December 2021. In more positive news, the cruise tourism sector reopened on October 8th, with the country expected to receive 274 calls and more than 400,000 cruise passengers this season. Regarding stay-over arrivals, the events surrounding the COVID-19 pandemic handed the sector a 55.8 percent decrease in visitors during the first nine months of 2021, with contractions in all major markets. In line with heightened global concerns related to greenhouse gas emissions and climate change, the government signed a Memorandum of Understanding with local green energy company, Kenesjay Green Limited in November 2021, to invest in the development of Dominica's geothermal potential.

Grenada

Given the persistent hardships inflicted on citizens and businesses at the hands of the pandemic, government decided to roll out another fiscal stimulus package amounting to $36 million. This was announced by Prime Minister, Dr. Keith Mitchell, on October 5th, 2021. He indicated that 1,500 applications for income support have been received, with 500 approvals to date. Additionally, 55 small business loans, worth $600,000 were also approved under the stimulus programme. The Prime Minister also announced the ease of some of the pandemic-related restrictions, including the reduction of curfew hours, guided by health experts' advice that the country will have to learn to live with the virus. However, as is the case in other jurisdictions vaccine hesitance and the resultant slowing national vaccination rate, would make this a very complex endeavour. In tourism, activity continues to be suppressed, with stay-over arrivals down 41.2 percent y-o-y between January and September 2021. During his 2022 National Budget Speech on November 26th, Finance Minister, Mr. Gregory Bowen, revealed that the domestic economy is projected to grow by 4.8 percent in 2021, after contracting by 13.8 percent a year earlier. The return to growth was led by the construction and agriculture sectors. Despite the continued difficult circumstances, government is expecting to record a fiscal surplus of $62.7 million in 2021, compared to a deficit of $128.3 million in 2020. The 2022 budget caters for total expenditure (including amortisation) of $1,352 million and an overall deficit of $97.9 million.

Guyana

According to the Bank of Guyana's Half Year Report, real oil GDP expanded by 14.5 percent during the first half of 2021, down from 45.6 percent a year earlier. The non-oil sector rebounded from a 4.9 percent contraction in the first half of 2020, with growth of 4.8 percent. This level of growth was attained despite severe flooding in the second quarter of 2021, which constrained output in the agriculture and mining sectors. In the mining sector, gold output fell by 20.9 percent due to flooding and other factors, while diamond production almost tripled from 6,922 carats to 18,432 carats. Driven by major infrastructure projects, the construction sector experienced a 25.5 percent boost. On the other hand, the agriculture sector registered another decline, besieged as it was by flooding. In the absence of official data, the overall growth momentum is estimated to have carried over into the third quarter of 2021, with possible improvement in mining sector activity, despite the fall in international gold prices from US$1,816.48 per troy ounce in the second quarter to US$1,789.52. As the country seeks to take full advantage of its massive petroleum resources, government has taken the decision to construct a 135-mile sub-sea pipeline from maritime acreages controlled by ExxonMobil to a new gas-fueled power plant, the construction of which, is scheduled to begin in 2022. The execution of these two projects will be a major game changer for Guyana, with the reliability of the country's electricity supply expected to vastly improve and its growth trajectory further enhanced.

St. Kitts and Nevis

During his monthly press conference in October 2021, Prime Minister Dr. Timothy Harris struck an optimistic cord, as he highlighted some positive economic developments in the twin-island state. During the first nine months of the year, the agriculture sector performed creditably, with crop production rising by 15 percent and livestock production up 9 percent, compared to the levels registered in the same period in 2020.

In addition, the fisheries sub-sector posted a 15 percent increase in output, with the lobster industry experiencing a 135 percent upsurge. Unsurprisingly, the experience in the tourism sector was quite the opposite, with stay-over arrivals plunging by 68.7 percent between January and August. Nevertheless, with the cruise season opening and as the winter months approach, there is room for optimism. For instance, airlift to the destination received a boost when American Airlines started daily flights between Miami and the Robert L. Bradshaw International Airport in St. Kitts at the beginning of November 2021. The service is expected to end on April 2nd, 2022. The Nevis Tourism Authority is expecting 39 calls during the 2021/2022 cruise season, with 11,928 passengers. While this is notably below the pre-pandemic mark of 65 calls and 15,025 passengers, it still represents a very positive development. In its Article IV Consultation press release in October, the IMF highlighted the difficulties the pandemic imposed on the country, including forcing government to incur a fiscal deficit (4.7 percent of GDP) in 2020, the first since 2010. Although the IMF expects the economy to experience a strong rebound in 2022, underpinned by the recovery of the tourism sector, it did identify several risks to this forecast including, pandemic-related disruptions and natural disasters.

St. Lucia

Unlike most of its regional peers, St. Lucia benefitted from increased tourism activity in the first nine months of 2021. During the period, stay-over arrivals rose by 24.1 percent to 108,692, which though encouraging, was 63.6 percent below pre-pandemic levels. The performance was driven by the US market, as arrivals from all other major markets plummeted between January and September. To the contrary, the cruise sub-sector saw a 98.2 decline, with much of the global industry stalled for a substantial portion of 2021. Nonetheless, cruise arrivals are expected to improve considerably in the coming months, with the country having hosted its first ship of the just-started season on November 22nd. The wider tourism sector is also expected to record a reasonably strong showing during the coming months, as winter engulfs the US and other major markets. The sector's performance will be aided by the return of more airlines and routes to the country, including American Airlines' service from Dallas, Texas to the Hewanorra International Airport in St. Lucia. Even so, the uncertainties surrounding the COVID-19 virus present significant downside risks to tourism and other sectors. In this regard, one can appreciate the concerns expressed by the island's health officials regarding its slow vaccination rate. As at November 22nd, only 25.1 percent of the target population was fully vaccinated. In October, the Pan American Health Organisation (PAHO) listed St. Lucia among six Latin American and Caribbean countries that were lagging the World Health Organisation's (WHO) target, which is for countries to achieve at least a 40 percent vaccination rate before the end of 2021.

St. Vincent and the Grenadines

Faced with rising infections, a low national COVID-19 vaccination rate and the prospect of prolonged economic hardship should these trends continue, government moved to issue a vaccine mandate for specific categories of public sector employees. The policy required front-line employees to be vaccinated by November 19th, 2021 to be able to work. To no one's surprise the mandate was met with strong resistance in some quarters, to the point where in August, Prime Minister, Dr. Ralph Gonsalves, was struck in the head by an object that was thrown during a protest, when the policy was first proposed. Notwithstanding this unfortunate incident, Dr. Gonsalves subsequently expressed confidence that good sense will prevail and urged key stakeholders, including trade unions to support the initiative. Turning to tourism, data from the Eastern Caribbean Central Bank suggest that stay-over arrivals fell by 47 percent during the first nine months of 2021, which no doubt was also partly attributable to the disruptions caused by volcanic activity earlier in the year. In this setting, visitor spending fell sharply from $100.3 million to $37.9 million during the period. On the positive side, the country received its first cruise ship in more than a year in early November, providing domestic tourism practitioners with reason for optimism heading into 2022.

Sint Maarten

The latest available data from the Central Bank of Curacao and Sint Maarten indicate that real GDP in Sint Maarten contracted by 22.1 percent in the first quarter of 2021. This weak performance was largely due to pandemic-related restrictions, which in addition to significantly curtailing air travel, brought cruise tourism to a standstill. Between January and March 2021, there were contractions in all sectors, except for the manufacturing and utilities industries. However, there are some indications that economic activity picked up gradually as the year progressed. For instance, stay-over arrivals, which contracted in the first quarter, grew significantly on a y-o-y basis in the succeeding two quarters. As a result, between January and September 2021, the number of stay-over tourists rose by 104.6 percent above the levels for the same period in 2020 but were still 26.3 percent below pre-COVID-19 levels. This is a heartening development, even if it must be qualified due to the unique circumstances that restricted the sector in 2020. Unfortunately, cruise tourism was stalled for much of the year, prompting arrivals by this mode to dive by 94 percent. As is the case for other regional destinations, the kick-off of the cruise season and colder months in key tourism source markets, is likely to benefit the domestic industry in the next few months. Beginning on October 1st, 2021, visitors from specific countries with relatively high COVID-19 infection rates were allowed entry only if they are fully vaccinated and provided proof of a negative PCR test. The policy replaced the outright ban Sint Maarten authorities had previously placed on visitors from these nations.

Suriname

The decision by the Central Bank to introduce a floating exchange regime in June 2021, caused the domestic currency to depreciate by 49 percent against the US dollar from SRD$14.29/US$1 to SRD$21.27/US$1. The rate of exchange reached SRD$21.57/US$1 in September 2021. Against this backdrop, the inflation rate, which was already elevated, accelerated further, reaching 69.5 percent in September, after registering at 54 percent in June. Another upshot of the currency depreciation, was that it pushed up the prices of imports and made exports cheaper at the same time, resulting in a fall in demand for imported goods. This helped to ease some of the external pressures facing the country, given its relatively low foreign exchange buffers. In September, the country's official reserve assets rose to US$885 million from US$648.7 million in June 2021. Reserves ended 2020 at US$584.7 million or 3.8 months of import cover. During the third quarter, Suriname's gold producers faced lower prices on the international market, with prices falling to an average of US$1,789.52 per troy ounce from US$1,816.48 between April and June 2021. Unfortunately, the country's inability, thus far, to reach a debt restructure agreement with its international creditors continues to delay the final approval of the 36-month US$690 million Extended Fund Facility (EFF) with the IMF. A staff level agreement was secured in April 2021, with the final deal dependent on the debt restructure and other pre-requisites. While a restructure agreement is expected to eventually be struck, further delays in securing the support of an IMF programme may result in further slippages including in the management of inflation.

Region

In Jamaica, economic activity expanded by 14.2 percent in the second quarter of 2021, with growth in both the services and goods-producing sectors. Significant impetus was provided by the tourism sector which profited from a 14.9 percent increase in stay-over arrivals during the first seven months of the year. The improved economic activity was also reflected in the labour market, with the unemployment rate falling to 8.5 percent in July from 9 percent in April 2021. However, the application of tighter measures to control the spread of the virus in the third quarter, including 12 no-movement days, may have negatively affected the country's growth momentum during the period. Given elevated global inflationary pressures and with domestic prices breaching the upper bounds of the Bank of Jamaica's (BOJ) target range for inflation, a decision was taken to increase the policy rate by 100 basis points to 1.5 percent. The increase took effect from October 1st, 2021. The BOJ increased its policy rate further to 2 percent in November, with inflation rising to 8.5 percent in October. Citing the optimism of global capital markets regarding Jamaica's economic prospects, international credit ratings agency Standard & Poor's (S&P) changed its outlook for the economy from negative to stable in October. However, S&P maintained the country's speculative grade 'B+' long term and 'B' short term rating for local and foreign currency instruments.

Due to a combination of the unprecedented challenges wrought by the COVID-19 pandemic and the failure of successive administrations to enact much needed fiscal reforms, The Bahamas recently suffered ratings downgrades at the hands of Moody's and S&P. In September, Moody's cut the country's rating from 'Ba2' to 'Ba3' and maintained its negative outlook. The decision was based on the considerable erosion of the country's economic and fiscal strength because of the pandemic. Two months later, S&P lowered its rating for The Bahamas from 'BB-' to 'B+', citing the country's fiscal challenges in the context of the failure of successive governments to implement timely and effective fiscal reforms prior to COVID-19. Public debt is currently estimated at 100 percent of GDP. On the positive side, activity in the tourism sector picked up in 2021, evidenced by a 42.9 percent expansion in stay-over arrivals during the first eight months of the year. However, the 595,119 visitors were a far cry from pre-pandemic figures. To instill confidence in cruise tourism, the government extended its vaccine mandate, which was supposed to end on November 1st for visitors via this mode, to 2022.

Outlook

The region's tourism-based economies are expected to face stronger demand over the next six months. This outlook is based on the return to operation of the cruise sub-sector and the expected rise in stay-over arrivals that normally occurs during the winter months. It is also based on the assumption that Caribbean states will not reverse the current easing of restrictions, especially those related to entry and movement of tourists. Similarly, the region's commodity producers are expected to face favourable market conditions over the next six months, with energy prices expected to remain elevated and gold prices to remain at encouraging levels despite some softening. Overall, the region is expected to record a positive performance during the period. Nevertheless, this projection is heavily dependent on the events surrounding the COVID-19 pandemic. The emergence of the latest variant of concern, Omicron has stoked global fears, even as several countries are now experiencing third and fourth waves of infections due to the Delta variant. Initial reports suggest that the available vaccines may be less effective against the Omicron variant, which itself is showing the capacity to spread rapidly. Accordingly, the US and a few other countries have imposed travel bans on eight southern African countries, where the variant was first detected. Should Omicron lead to subsequent waves of infections, it could result in some disruption to economic activity even if countries do not revert to lockdowns. For instance, fear of infection could cause prospective tourists to postpone or cancel trips to the Caribbean.

<u>Previously in the REN:</u> … *most experts agree that the Paris Agreement does not go far enough. Countries' pledges are not ambitious enough and will not be enacted quickly enough to limit global temperature rise to 1.5°C or even 2°C. In fact, a 2021 analysis by the UNFCCC estimates a 2.7°C rise by the end of the century, even if countries follow through on their current commitments under the Paris accord.*

That was the sombre picture painted at the end of the first part of this two-part series on climate change. The first article, **On another note…what about the impending global crisis?**, which appeared in the September 2021 issue of the REN, sought to de-mystify climate change and chart its evolution, in the lead-up to the United Nations Framework Convention on Climate Change's (UNFCCC) 26th Conference of the Parties (COP 26) in November.

With the effects of climate change increasingly being manifested through intense weather events, there was widespread interest in, and expectation of, COP 26. Beyond the general public, this interest likely contributed to the increased size and breadth of attending government delegations. Several heads of government attended the conference with a range of high-ranking state officials. This augurs well for faster progress, as an all-of-government approach is needed for a seamless and efficient implementation of climate change policies. There was major private sector interest as well, with the heads of major corporations and financial institutions in attendance. This is reflective of a leadership role adopted by the private sector in recent years to combat climate change and improve the sustainability of business models. The contention between developing countries and developed countries, which are seen as the producers of much of the greenhouse gases that would have driven climate change over the last century, was still evident. There was also a significant level of distrust on the part of developing countries, due in part to an unfulfilled $100 billion aid pledge for developed countries to help developing countries cope with climate change. Undoubtedly, the vaccine inequity that has been one of the disheartening features of the pandemic, contributed in no small way to the chasm between the two groups of countries.

The Glasgow Climate Pact, the agreement borne out of COP 26, contains agreements to phase down the use of unabated coal power and phase out inefficient fossil fuel subsidies. While many would find these commitments do not go far enough, it is somewhat of a triumph that they were even mentioned, as shockingly, these were the first ever references to fossil fuels in a COP document. The pact also urges countries to submit new or updated Nationally Determined Contributions (NDCs) before COP 27 in November 2022. Views on the success of COP 26 occupy a broad spectrum. While some labelled it a failure, or found it did not go far enough, generally, those familiar with the pedestrian pace at which these conferences operate, felt that real progress was made. It is likely however, that most will find that the pace of the progress does not match the urgency or scope of the problem.

Current state of affairs

- According to the Intergovernmental Panel on Climate Change (IPCC) report, emissions of greenhouse gases from human activities are responsible for approximately 1.1°C of warming since the 1850-1900 period.
- Limiting global warming to 1.5°C by 2100 requires rapid, deep and sustained reductions in global greenhouse gas emissions, including reducing global carbon dioxide

emissions by 45 percent by 2030 relative to the 2010 level and to net zero by mid-century.

- If all the NDCs under the Paris Agreement were implemented, the aggregate greenhouse gas emission level, is projected to be 13.7 percent above the 2010 level in 2030.
- The world went into COP 26 with pledges that put it on track for a 2.7°C temperature rise. Major pledges made since, have lowered the preliminary projected temperature rise to anywhere from 1.8°C to 2.3°C.
- The impacts of climate change will be much lower at the temperature increase of 1.5°C compared to 2°C. To be clear, the 1.1°C that the earth has already warmed, forms part of all the estimates and projections given above. So, the name of the game isn't preventing the earth's temperature from increasing by an additional 1.5°C, it is about limiting future increases to 0.4°C, so the overall increase does not exceed 1.5°C.

GLOBAL EMISSIONS BY GAS

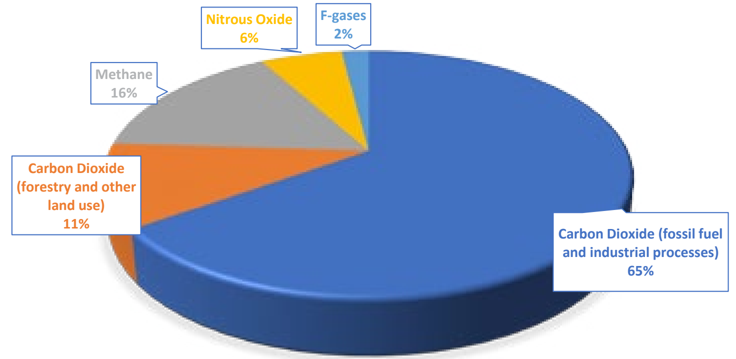
CARBON DIOXIDE (CO_2): Fossil fuel use is the primary source of CO_2. CO_2 can also be emitted from direct human-induced impacts on forestry and other land use, such as through deforestation, land clearing for agriculture, and degradation of soils. Likewise, land can also remove CO_2 from the atmosphere through reforestation, improvement of soils, and other activities.

METHANE (CH_4): Agricultural activities, waste management, energy use, and biomass burning all contribute to CH_4 emissions.

NITROUS OXIDE (N_2O): Agricultural activities, such as fertilizer use, are the primary source of N_2O emissions. Fossil fuel combustion also generates N_2O.

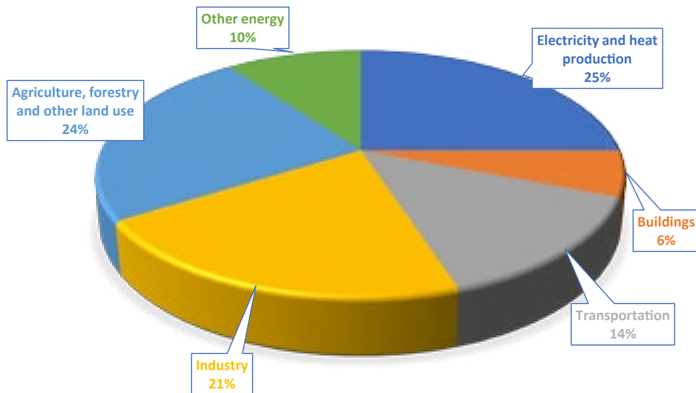
FLUORINATED GASES (F-GASES): Industrial processes, refrigeration, and the use of a variety of consumer products contribute to emissions of F-gases, which include hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6).

Chart 1: Global emissions by gas



Source: Intergovernmental Panel on Climate Change (IPCC) 2014 – Based on 2010 emissions

Chart 2: Global emissions by economic sector



Source: Intergovernmental Panel on Climate Change (IPCC) 2014 – Based on 2010 emissions

GLOBAL EMISSIONS BY ECONOMIC SECTOR

ELECTRICITY AND HEAT PRODUCTION (25 PERCENT): The burning of coal, natural gas, and oil for electricity and heat is the largest single source of global greenhouse gas emissions.

INDUSTRY (21 PERCENT): Greenhouse gas emissions from industry primarily involve fossil fuels burned on site at facilities for energy. This sector also includes emissions from chemical, metallurgical, and mineral transformation processes not associated with energy consumption and emissions from waste management activities.

AGRICULTURE, FORESTRY, AND OTHER LAND USE (24 PERCENT): Greenhouse gas emissions from this sector come mostly from agriculture (cultivation of crops and livestock) and deforestation. This estimate does not include the CO_2 that ecosystems remove from the atmosphere by sequestering carbon in biomass, dead organic matter, and soils, which offset approximately 20 percent of emissions from this sector.

TRANSPORTATION (14 PERCENT): Greenhouse gas emissions from this sector primarily involve fossil fuels burned for road, rail, air, and marine transportation. Almost all (95 percent) of the world's transportation energy comes from petroleum-based fuels, largely gasoline and diesel.

BUILDINGS (6 PERCENT): Greenhouse gas emissions from this sector arise from onsite energy generation and burning fuels for heat in buildings or cooking in homes.

OTHER ENERGY (10 PERCENT): This source of greenhouse gas emissions refers to all emissions from the energy sector which are not directly associated with electricity or heat production, such as fuel extraction, refining, processing, and transportation.

What is being done: Commitments made

Net zero refers to the balance between the amount of greenhouse gases produced and the amount removed from the atmosphere. Countries and companies are now striving to reach net zero emissions as this means that while they are not making global warming any better, they are also not making it worse. With carbon dioxide (CO_2) making up the largest share of greenhouse gases, most strategies aimed at combatting climate change focus on reducing CO_2 emissions. Reaching net zero in terms of CO_2 emissions is also referred to as being carbon neutral. This is a popular goal, with countries at differing stages of what, for most, is a very long journey (Table 1). Beyond carbon neutral, there are a few countries that are actually carbon negative. Bhutan and Suriname, both have small levels of industrialisation relative to their large acreages of forests and farmlands, which results in more CO_2 being removed from the atmosphere than they produce. Panama is expected to become the third member of this exclusive group by the end of 2021.

Table 1: Status of countries progress to Net Zero

Status	Countries
Achieved	Benin (2000), Cambodia (2000), Guyana (2019), Liberia (2000), Madagascar (2010),
Made law	Canada (2050), Denmark (2050), France (2050), Germany (2045), Hungary (2050), Ireland (2050), Japan (2050), New Zealand (2050), Romania (2050), Slovenia (2050), South Korea (2050), Spain (2050), Sweden (2045), United Kingdom (2050),
In a policy document	Austria (2040), Brazil (2060), Chile (2050), China (2060), Costa Rica (2050), Croatia (2050), Ecuador (2050), Finland (2035), Greece (2050), India (2070), Italy (2050), Latvia (2050), Lithuania (2050), Monaco (2050), Panama (2050), Portugal (2050), Turkey (2053), Ukraine (2060), Uruguay (2050),
Pledged	Australia (2050), Estonia (2050), Israel (2050), Kazakhstan (2050), Malaysia (2050), Nigeria (2030), Russia (2060), Saudi Arabia (2060), South Africa (2050), Thailand (2050), United States (2050), Vietnam (2050),

Source: Net Zero Tracker, Energy and Climate Intelligence Unit, Data-Driven EnviroLab, New Climate Institute, Oxford Net Zero

The fossil fuel phaseout

A key part of countries' strategy for achieving net zero status involves reducing emissions from vehicles. To this end, several countries have announced timeframes for the phasing out of internal combustion engine – ICE (fossil fuel-powered) vehicles and effectively replacing them with electric vehicles (EVs). Norway leads the way, with its plan to ban sales of gasoline vehicles by 2025. In addition to the 27-member European Union, the list of countries planning to ban sales of new ICE vehicles between 2030 and 2040 include Austria, Canada, Denmark, Egypt, France, Germany, Iceland, India, Ireland, Israel, Japan, Korea, Netherlands, Portugal, Scotland, Slovenia, Spain, Sri Lanka, Sweden, Taiwan, Thailand and UK. In tandem with this imminent major shift, virtually all major vehicle-makers, in some form or fashion, are seeking to shift the weight of their production from ICE vehicles to EVs.

With Electricity and Heat Production accounting for a quarter of greenhouse gases, many countries have been shifting some of their electricity production from fossil fuels to renewables such as solar and wind over the last two decades, and this is expected to not only continue, but accelerate. Invariably, however, this trend exists primarily in developed countries.

Trinidad and Tobago

Trinidad & Tobago (T&T) confirmed its NDCs to the Paris Agreement in February 2018. With its NDCs this country commits to reduce cumulative emissions by 15 percent by 2030 from business as usual (BAU) levels in three key sectors: Energy, transport, and industrial processes, equivalent to 103 million tCO_2e (tonnes of carbon dioxide equivalent) and conditional upon international financing. This involves reducing its emissions in the public transportation sector by 30 percent by 2030, equivalent to 1.7 million tCO_2e relative to 2013 levels. The country has self-financed a fuel-switching programme (NGC CNG Company Limited, 2019) (displacing liquid fuels with compressed natural gas (CNG) and has already realised an estimated displacement of about 30,000 metric tonnes of carbon dioxide equivalent gases.

According to the Ministry of Planning and Development, T&T has successfully met the global targets relating to the Consumption of Ozone Depleting Substances, which declined from a high of 220 tonnes in 1998 to 34.34 tonnes in 2011. The country is still working to reduce this figure, since ozone depleting substances have been proven to contribute to climate change. In this regard, the Planning Ministry has been able to meet significant global milestones in refrigeration units using hydrochlorofluorocarbons (HCFCs) through bans on assembled units using HCFCs from 2015 and the establishment of a training and certification programme for technicians in the air conditioning and refrigeration sector in the repair and installation of equipment from 2016.

A conservative estimation of the cost of implementing T&T's NDC actions amounts to US$2 billion over the period 2017-2030.

Reducing carbon emissions is by no means an easy or straightforward undertaking. Nonetheless, like many countries, T&T's efforts in this regard can be described as relatively negligible and lacking impetus and commitment. This has to change. Most small island developing states (SIDS) can, and do, feel righteous indignation that they are forced to grapple with the consequences of climate change that has been caused, and should be fixed, primarily by large wealthy nations. T&T does not have this comfort. While this

country's CO_2 emissions are dwarfed by that of larger nations, as a longstanding oil and gas producer, its annual emission and cumulative emissions over time, are significantly greater than that of most small countries (Table 2). Further, because of its large energy and industrial production base compared to its population, T&T consistently features among the top ten per capita CO_2 emitters in the world. This places an additional responsibility on T&T to earnestly and aggressively implement emission-reduction initiatives. Doing so will have major implications for, and present challenges to, transportation, energy production, manufacturing as well as everyday life. However, if the process is based on an overarching vision and driven by sound, data-driven policies, the disruption that will inevitably take place, will also present new opportunities. The reality is, that with or without international financing, this country has little choice but to take charge of this change process. While fossil fuel-powered vehicles will likely persist for decades in developing countries, based on the phaseout timelines presented earlier, the global oil and gas industry will experience a sea change over the next 19 years. The longer the government waits, the fewer options it will likely have going forward.

Table 2: Emissions – tCO2e (tonnes of carbon dioxide equivalent)

Country	Cumulative	2019	Per capita - 2019
United States	412.01 billion	5.26 billion	15.97 tonnes
China	224.9 billion	10.49 billion	7.32 tonnes
South Africa	20.71 billion	475.92 million	8.13 tonnes
Trinidad & Tobago	1.53 billion	40.38 million	28.95 tonnes
Jamaica	445.43 million	8.05 million	2.73 tonnes
Guyana	98.38 million	2.49 million	3.18 tonnes
Liberia	51.51 million	1.09 million	0.22 tonnes
St. Vincent	6.76 million	236,034 tons	2.13 tonnes
Dominica	4.67 million	157,356 tons	2.19 tonnes

Source: Our World in Data based on the Global Carbon Project

The relationship between the climate and the environment

While it is accepted that the climate and the environment are intertwined, the interplay between the two is worth looking at. The climate can be defined as the meteorological conditions, including temperature, precipitation, and wind, that characteristically prevail in a particular region, while the environment represents the air, water, and land in or on which people, animals and plants live. As explained in the first article of this series, changes to the climate have been brought about almost exclusively by the significant amount of greenhouse gases entering the atmosphere through the activities of humankind. The corollary to this, is that how we treat the rest of the environment, the water and land has little impact on climate change except through deforestation which leads to increased carbon dioxide in the atmosphere. The climate on the other hand, significantly impacts and shapes the environment. So, while polluting the land, rivers and seas and degrading land does not impact climate change, these things make its impact more severe through faster and more severe flooding. The obvious lesson here, is that some of the consequences of climate change can be mitigated by taking care of the environment, which is largely a domestic responsibility for all parties.

Taking responsibility

Responsibilities of the state

- Establishing and enforcing laws to protect the environment (e.g. pollution and deforestation)
- Maintaining a firm commitment to managing land use re. where and how to place infrastructure and housing
- Maintaining and upgrading infrastructure (roads, bridges, drains,)
- Clearing water courses
- Facilitating the management of refuse through sorting, collection and recycling
- Updating and enforcing proper building codes
- Management of landfills to facilitate the trapping and use of methane

Responsibilities of the private sector

- Ensuring the disposal of refuse, effluent and dangerous waste in adherence to prescribed laws and mandates.
- Implementing policies to lead business operations to become carbon neutral.

Responsibilities of the public

- Adhering to laws and policies established by the state to protect the environment
- Contributing to reduced CO_2 emissions through reduced electricity use and reduced vehicle use (if fossil fuel-powered)
- Recycling where possible

As things currently stand, the quantum of commitments made leading up to and following COP 26 is insufficient to restrict global warming to 1.5°C and more far-reaching changes are needed. Chafing at the inequity that has become more overt in recent years, small developing countries have been more emboldened in calling out developed countries and seeking to hold their feet to the fire. While this may be justified, and even necessary, the reality is that, with the exception of two or three states, all countries, no matter how miniscule, contribute to climate change. Consequently, beyond taking responsibility for their own environment, all countries need to do whatever they can to prevent this imminent global crisis. At this stage, it is not enough to make strident calls for change and then continue to be constrained to act by the many pressing circumstances that constitute your domestic reality. We **all** have to be the change we want to see. This perhaps is the only way that the anticipated danger and destruction can be averted. For sure, it will not be easy, because the current challenges remain very real. It may be helpful however, to take the longer view. To consider, how will history judge us? More importantly, how will our grandchildren judge us? Will they even be able to?