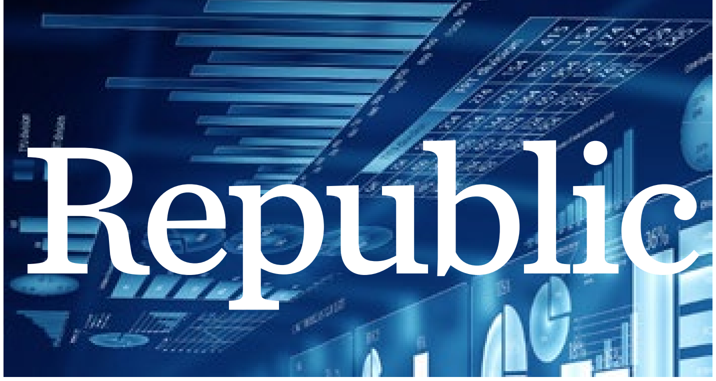

Republic Economic NEWSLETTER

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Sluggish Start to 2025

OVERVIEW

The domestic economy is estimated to have recorded a downturn in the first quarter of 2025, with persistent challenges in the energy sector and signs of weak activity in the non-energy sector. Although both oil and gas prices increased during the period, the sector was unable to reap the full benefits due to declines in production. The weaker upstream production levels were also reflected in the downstream sector, with LNG and methanol output contracting. In the non-energy sector, available evidence suggests construction activity was relatively subdued, despite expectations of increased public sector construction activity in the lead-up to the general election. At the same time, activity in the trade and repairs sector seem to have cooled appreciably. Activity in the domestic stock market reflected the subdued performance, with the Composite Price Index (CPI) down 11.1 percent compared to the corresponding period a year earlier. Labour market conditions, however, showed some improvement, with the unemployment rate declining to 4.9 percent compared to 5.5 percent in the fourth quarter of 2024. Against this backdrop, Republic Bank estimates that the domestic economy contracted by 0.5 percent in the first quarter of 2025, relative to the previous quarter.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

Indicator	2024	2024.1	2025.1 p/e
Real GDP (% change)	1.4	-2.2	-0.5
Retail Prices (% change)	2.3	5.0	0.8
Unemployment Rate (%)	5.0	5.4	4.9
Fiscal Surplus/Deficit (TT$-Mn.)	-9,624.0	-2,243.2	-4,007.0
Bank Deposits (% change)	3.5	1.0	0.9
Private Sector Bank Credit (% change)	9.3	1.0	1.6
Net Foreign Reserves (US$-Mn.)	5,604.3	5,521.8	5,272.1
Exchange Rate (TT$/US$)	6.72/6.78	6.72/6.78	6.73/6.78
Stock Market Comp. Price Index	1,118.5	1,193.4	1,060.9
Oil Price (WTI) (US$ per barrel)	76.55	77.56	71.84
Gas Price (Henry Hub) (US$ per mmBtu)	2.19	2.13	4.15

Source: - Central Bank of Trinidad and Tobago, TTSE, Energy Information Administration
p - Provisional data
e - Republic Bank Limited estimate
*** - Estimate based on CBTT's Index of Economic Activity**

ENERGY SECTOR

The domestic energy sector experienced continued challenges during the first quarter of 2025, reflective of persistent structural issues facing the sector. Both oil and natural gas production have been trending downward over the past few years. This downward trend stems from the natural decline of mature fields, compounded by the slow pace in bringing new projects online. Crude oil production averaged 51,796 barrels per day (b/d) during the first quarter of 2025, a modest 1.1 percent decline compared to the previous quarter, but a 3.9 percent increase compared to the same period a year earlier. Natural

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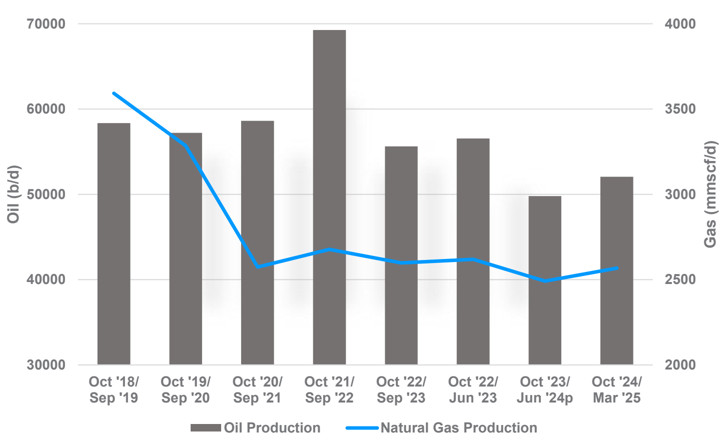
gas production fell to 2,485 million standard cubic feet per day (mmscf/d), a 6.2 percent decline quarter-on-quarter (q-o-q) and a 5.9 percent decrease year-on-year (y-o-y) (Figure 1). The effects of weaker natural gas production filtered directly into the downstream sector, as LNG production contracted by 13.5 percent q-o-q and 6.9 percent y-o-y, while methanol production fell by 11.1 percent q-o-q and 15.3 percent y-o-y. On the other hand, ammonia production increased by 7.8 percent q-o-q and 4.7 percent y-o-y, providing a partial offset to the broader contraction in the sector. As it relates to the barometers of exploration activity, total rig days measured 276 days in the first quarter of 2025, down 20.5 percent from the levels a year earlier, while total depth drilled fell 31.2 percent.

Despite declining production levels, higher international gas prices provided some relief. The Henry Hub natural gas benchmark surged to an average of US$4.15 per million British thermal units (mmBtu) in first quarter 2025, a substantial increase from US$2.44 per mmBtu in the previous quarter and US$2.13 per mmBtu a year earlier. Meanwhile, the West Texas Intermediate (WTI) crude oil benchmark averaged US$71.84 per barrel, up 1.6 percent q-o-q but down 7.4 percent y-o-y.

In other developments, bpTT's Cypre development delivered its first gas in April 2025 and the company announced a final investment decision for the Ginger gas development, with first gas expected in 2027. Additionally, EOG Resources confirmed a new oil discovery at the Beryl well in the Teak, Samaan and Poui (TSP) Deep Area.

Figure 1: Natural Gas and Oil Production

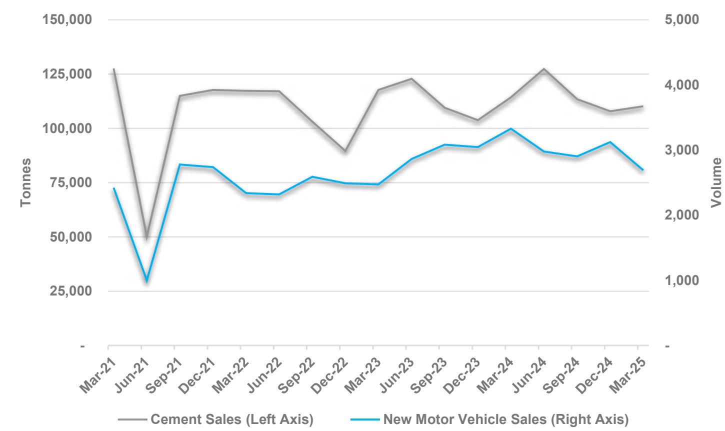


Source: Review of the Economy 2024 and MEEI

NON-ENERGY SECTOR

The construction sector showed only modest signs of recovery in the first quarter of 2025, despite expectations of an acceleration of key public sector infrastructure projects ahead of the general election, which was held on April 28, 2025. Domestic cement sales rose by 2.1 percent q-o-q but were down 3.6 percent from January-March 2024 levels (Figure 2). Anecdotal evidence suggests a notable contraction in the trade and repairs sector. New motor vehicle sales, a commonly used proxy for at least a portion of the activity in the sector, fell sharply by 13.8 percent q-o-q and 19.1 percent y-o-y, reaching its lowest level since the first quarter of 2024. However, other indicators provided more encouraging signs for other non-energy subsectors, including in tourism. Visitor arrivals for carnival 2025 increased by 8.5 percent y-o-y. This growth suggests that the services sub-sectors may have experienced some seasonal expansion despite the broader economic challenges.

Figure 2: Local Cement and New Motor Vehicle Sales



Source: CBTT

MONETARY POLICY

Several major central banks have reduced policy rates within recent months as inflation pressures eased and concerns regarding economic growth increased. The US Federal Reserve (The Fed) held its policy rate steady at 4.25 to 4.50 percent at its June 2025 meeting. Despite solid labour market conditions and a low inflation rate, the Fed cited expectations of higher inflation and slower economic growth stemming from recent trade policies.

Domestically, the Central Bank of Trinidad and Tobago (CBTT) maintained the repo rate at 3.5 percent in its June 2025 monetary policy announcement, continuing the accommodative monetary policy stance held since March 2020. Similarly, the average prime lending rate also remained steady at 7.57 percent. However, according to the CBTT's May 2025 Monetary Policy Report, other commercial bank rates increased slightly. The weighted average lending rate (WALR) rose to 6.65 percent in March 2025, up 2 basis points from September 2024, while the weighted average deposit rate increased by 1 basis point to 0.77 percent over the same period.

The commercial banks' average excess reserves climbed to $7,351.2 million at the end of the first quarter of 2025, up 22 percent from December 2024 and 63.1 percent from March 2024. Liquidity levels have generally trended upward since the CBTT's July 2024 decision to reduce the primary reserve requirement from 14 to 10 percent, with monthly excess reserves averaging $6,254.9 million since August 2024. The uptick in liquidity levels was bolstered by an increase in net domestic fiscal injections (NDFI), as government operations resulted in a net inflow of funds into the domestic financial system. The net inflow in the first quarter was $3,256.3 million, compared to $1,162.4 million in the previous quarter and a net withdrawal of $494.4 million in the same period a year earlier. The domestic liquidity conditions caused the interest rates on 3-month treasuries to soften, causing the TT-US 91-day interest rate differential to widen to -222 basis points in May 2025, from -200 basis points in January 2025.

The increase in domestic liquidity coupled with a stable domestic interest rate environment helped bolster private sector lending, which expanded by 1.6 percent q-o-q and 9.9 percent y-o-y in the first quarter of 2025. Loans to consumers increased by 1.2 percent q-o-q and 12 percent y-o-y, while lending to businesses rose 2.5 percent q-o-q and 12.1 percent y-o-y. Real estate credit grew by 6.7 percent over first quarter 2024 figures.

Price pressures trended upwards in the first quarter of 2025, with headline inflation averaging 0.8 percent, up from 0.4 percent in the previous quarter and 0.6 percent a year earlier. The uptick was driven primarily by the food component, as food inflation surged to 4.2 percent in the period from 3.0 percent in the previous quarter and a contraction of 0.6 percent a year earlier. On the other hand, core inflation, which excludes food, recorded a slower contraction of -0.1 percent compared to -0.3 percent in the previous quarter. Headline inflation increased further to 1.4 percent in May 2025.

FISCAL

The government registered an overall fiscal deficit of $4,007 million in the first quarter of 2025, significantly wider than the $2,243.2 million in the corresponding period of 2024. This expansion was driven by a combination of increasing expenditure and declining revenue. In line with the typical increase in government spending ahead of the general election, total expenditure climbed to $14,546.6 million, 10.2 percent above the figure recorded a year earlier. Conversely, total revenue declined by 3.9 percent to $10,539.5 million. The 17.4 percent fall in non-energy revenue was the main reason for the decrease in total revenue. Energy revenue increased by 49.1 percent when compared to the first quarter of 2024. This increase was likely due to higher natural gas prices, which rose to US$4.15 per mmBtu compared to US$2.13 per mmBtu in the first quarter of 2024. However, this was not sufficient to offset the decline in non-energy revenue. According to the 2025 Mid-Year Budget Review, the government now expects the 2024/2025 fiscal deficit to increase to $9.67 billion, having sought parliamentary approval for a $3.144 billion supplementary appropriation to finance additional expenditure.

FOREIGN RESERVES

The foreign exchange market continued to reflect the mismatch that exists between supply and demand. In the first quarter of 2025, net sales of foreign currency by authorised dealers fell by 24.2 percent from the previous quarter but was 6.4 percent higher than what was recorded in the first quarter of 2024. The Net Foreign Position stood at US$9,029.2 at the end of March 2025 compared to US$9,269.6 in the previous quarter and US$9,343.3 for the same period a year earlier. The net official reserves stood at $5,272.1 at the end of March 2025, equivalent to 7.5 months of import cover. This represented a 5.9 percent decline compared to the end of December 2024 and a 4.5 percent decrease compared to the same period a year earlier. While still above the recommended international benchmark of 6 months of import cover for oil-exporting countries, as noted by the CBTT, the downward trend continues to be a cause for concern. However, despite these pressures, the TT dollar remained stable, with the TT$/US$ exchange rate holding firm at TT$6.78 per US$1 in the first quarter of 2025.

OUTLOOK

Despite recent increases in international energy prices, the performance of the domestic energy sector is expected to remain subdued in the near term, given ongoing production constraints. While the commencement of bpTT's Cypre project should provide a modest boost to gas production, most major new upstream developments are not anticipated to come online before 2027. Accordingly, the domestic economy is expected to draw limited benefit from the rise in international energy prices related to the ongoing Israel-Iran conflict. In the non-energy sector, activity is expected to be positive in the second and third quarters of 2025, although construction activity will likely be subdued. Overall, the economy is projected to register a modest expansion during the period. Inflation is expected to increase moderately in the second half of the year as a result of both local and global developments.

Positive but Subdued Performance

Overview

Against a backdrop of a highly uncertain global environment, the Caribbean economy is estimated to have registered another positive but subdued performance in the first quarter of 2025. In addition to welcoming stay-over tourists at numbers beyond pre-pandemic levels, most destinations recorded continued year-on-year arrival growth between January and March 2025, although at slower rates (Table 1). Among the commodity exporting economies, Guyana continued to record the strongest performance and benefited, along with Suriname, from the increase in international gold and petroleum prices that occurred during the period. Unfortunately, oil prices fell markedly in the ensuing months, suppressed by growing global supplies and concerns about the global economy, in the wake of the US tariff announcements in April. Except for the 38 percent reciprocal tariff (suspended for 90 days) imposed on Guyana, Caribbean countries face only the universal tariffs (10 percent) which the US imposed on almost every nation. Since its initial announcement, the US has secured or is said to be close to securing trade deals with some of its major trading partners, including the UK and China. While this has helped to ease global uncertainty to some extent, policy makers in the Caribbean remain mindful of the potential for US tariffs to negatively affect US demand for the region's exports, global growth and by extension, the performance of the regional economy.

Table 1: Stay-over Tourist Arrival Growth (% Change)

	Q1 2025 (y-o-y)	Q1 2025 vs Q1 2019
Anguilla*	5.6	43.9
Barbados	2.4	5.0
British Virgin Islands	6.4	21.4
Cayman Islands	5.3	-1.0
Cuba	-29.3	-61.0
Dominica**	10.4	23.3
Grenada	-14.6	10.4
Saint Lucia**	-1.9	2.1
St. Vincent & the G'dines**	12.8	33.2
St. Kitts & Nevis*	1.10	-24.1

Source: CTO, CBB, ECCB

***Jan., **Jan-Feb**

Anguilla

After expanding by a robust 14.5 percent year-on-year (y-o-y) in the fourth quarter of 2024, stay-over tourist arrivals grew by 5.6 percent in January 2025. The destination welcomed a greater number of visitors from most major source markets, with arrivals from the US, Canada, and the other market group increasing by 6.1 percent, 7.4 percent and 12.6 percent, respectively. These solid performances were partially offset by the 3.9 percent fall registered in the European market. During the month, visitors from the US accounted for 72.4 percent of all stay-over arrivals, with the second largest market, Europe, contributing 11.1 percent. In March 2025, tourism officials provided an update on the new airport terminal, currently under construction at the Clayton J Llyod International Airport. They indicated the building should be completed by the fourth quarter of 2025. This project, together with the runway extension is expected to provide a major boost to the sector and support its long-term growth.

Barbados

Economic activity expanded by 2.6 percent in the first quarter of 2025, according to Central Bank estimates. The performance was driven primarily by the impetus provided by the tourism, construction and business services sectors. There was also growth in the transport, and wholesale and retail sectors. On the other hand, a fall in non-sugar agriculture output resulted in a 3.8 percent decline in the agriculture sector, while the manufacturing sector registered a very small fall in activity. In the tourism sector, stay-over arrivals expanded by 2.4 percent, despite a 7.2 percent fall in the number of tourists from the UK, which is Barbados' largest tourism market. This was neutralised by the positive performances in the US (13 percent), Canada (1.4 percent), other Europe (13.9 percent), CARICOM (2.9 percent) and other markets (2.1 percent). During the period January – March 2025, the country received 385,468 cruise tourists, which was 37.1 percent above the figure recorded in the same period a year earlier. The receipts from the tourism sector helped to keep the country's gross international reserves at healthy levels, measuring 8.1 months of import cover at the end of the quarter. The construction sector continued to feed off the momentum provided by both the public and private sectors, expanding by 6.4 percent during the period. In the financial sector, private sector credit grew by 1.2 percent compared to 0.3 between January and

March 2024, while the weighted average deposit and lending rates remained at 0.1 percent and 5.4 percent, respectively. The industry also benefitted from robust deposit growth and reduced non-performing loans during the first quarter 2025. As it relates to prices, the twelve-month moving average inflation rate fell to 0.9 percent in February 2025 from 3.1 percent a year earlier, with declines in oil, food and clothing prices, among others. While increased capital expenditure caused the country's fiscal deficit to expand from 1.6 percent of GDP in the first quarter of 2024 to 2.2 percent of GDP a year later, public debt moved in the opposite direction, falling from 108.9 percent of GDP to 102.8 percent of GDP.

British Virgin Islands

The tourism sector continues to provide appreciable momentum to the economy, with stay over arrivals increasing by 6.4 percent in the first three months of 2025. This follows a 16.7 percent expansion for all of 2024, which was paired with a 6.8 percent increase in the number of cruise ship visitors to 768,293. In response to concerns raised by the opposition regarding a fiscal deficit estimated at $13 million in the first three months of 2025, Premier and Minister of Finance, Dr. Natalio Wheatley, highlighted the seasonality of government's revenue flows. He indicated that government gets the bulk of its revenue from the financial services sector in June and December. In this regard, he said it was somewhat misleading to say that his administration was running a deficit. Between January and March, total government expenditure was $86 million while total revenue amounted to $73 million. Unfortunately, the country was placed on the Financial Action Task Force's (FATF) grey list which was published on June 13, 2025. This means that there are deficiencies in its anti-money laundering and counter-terrorism financing regime. The jurisdiction will therefore be subject to increased FATF monitoring. This may result in some reputational damage to the financial services sector. The government pledged to resolve these issues and aims to be off the list in two years.

Cayman Islands

With no party gaining a majority in the April 30, 2025, general election, the country is now being led by yet another coalition government, the National Coalition for Caymanians (NCC). The new administration comprises the pro-environmentalist Cayman Islands National Party (CINP), the pro-business Caymanian Community Party (CCP) and three independents that were successful at the polls. The new Premier is André Ebanks, leader of the CCP. As part of the election, a referendum was held on the country's cruise tourism industry, where citizens were asked to vote on plans to build cruise ship berths to drive the development of the cruise industry. The proposal was decisively defeated with 64.5 percent voting against the initiative. Much of the resistance to the proposal is grounded in environmental concerns. While the result of the referendum imposes no legal restriction on the new administration, the government is expected to respect the wishes of the electorate, especially with the CINP being a coalition partner. However, without the proposed upgrades, the country's cruise tourism industry will likely experience a decline in visitor arrivals over the long term, with major cruise lines increasingly turning to larger ships, which cannot be facilitated by the destination. Conversely, the outlook for the stay-over tourism industry remains positive, against a backdrop of increasing room stock and plans to enhance the facilities at the nation's airports. Regarding the sector's most recent performance, between January and March 2025, stay-over arrivals rose by 5.3 percent over first quarter 2024 levels. The growth in the US (6.3 percent) and Canadian (8.5 percent) markets outweighed the declines in visitors from Europe (10.2 percent) and other markets (2.8 percent). Visitors from the US continued to dominate the sector, accounting for 83.6 percent of stay-over arrivals. During the quarter, the Cayman Islands experienced a 12.1 percent increase in total cruise ship arrivals.

Cuba

The signs of Cuba's severe economic challenges were again apparent during the first quarter of 2025. Activity in the tourism sector plunged during the period, with stay-over arrivals falling by 29.7 percent. The decline was the result of double digit decreases in all major source markets including the US (15.6 percent), Canada (31.8 percent), Europe (44.3 percent) and other markets (17.1 percent). The sector continues to be hindered by fuel shortages, frequent, prolonged blackouts and the discontinuation of flights to Cuba by several airlines, among other things. In April, the government announced plans to lease tourist facilities and ease restrictions on foreign currency payments in an effort to provide some impetus for the sector. The authorities also took the decision to remove the US$30 airport tax. Nevertheless, the gains from these initiatives are likely to be blunted by the curtailing impact of intensifying US sanctions. In the agriculture sector, the long-term decline of sugar production continues, with the 2025 harvest falling below 200,000 metric tonnes, a level not seen since the 19th century. The state-owned sugar company, AZCUBA initially projected 2025 output to reach 265,000 metric tonnes (MT). However, actual production is estimated to be closer to 165,000 MT. The current production levels represent a huge decline from the 1.3 million MT recorded in 2019 and places the country's world-renowned rum industry in a very difficult position. Domestic rum distillers are by law required to use locally produced cane sugar and as such have little flexibility regarding the source of raw materials. Since rum requires years of ageing before being sold, this situation could significantly affect the distillers' capacity to sustain production levels in the years to come.

Dominica

After recording its best cruise tourism season for 14 years in 2024, Dominica experienced a 1.9 percent increase in cruise tourist arrivals in the first two months of 2025. This was notably slower than the 5 percent expansion registered in the January-February 2024 period. In the stay-over sub-sector, arrivals expanded by 10.4 percent in the first two months of 2025, with the 38.9 percent growth in the other markets category offsetting the average 20.5 percent contraction that occurred in the US, Canadian and European markets. The sector is set to receive a boost in 2025, with 500 new hotel rooms expected to be added to the market during the year. This represents a 25 percent increase of current room stock levels. The additional rooms would come from four major resort developments, namely, the Anichi Resort and Spa, Ocean Edge Hotel, Tranquility Beach Resort Dominica and Sanctuary Rainforest Eco Resort and Spa. The sector is also expected to benefit from increased airlift as American Airlines is expected to expand its Miami-Dominica weekly service from three flights per week to six flights per week, starting in August 2025.

The country is getting closer to realising its geothermal energy ambitions, with the December 25, 2025, launch date for the plant approaching. In an update provided at the beginning of May 2025, the Geothermal Power Company of Dominica (GPC) indicated that all major equipment had been delivered to the site, several key installations were completed and work to lay the foundation for the buildings and the injection pipeline route was ongoing. The plant is expected to significantly enhance Dominica's energy security and long-term economic sustainability. In other developments, in April, the World Bank approved funding totalling US$24 million to support reforms in the nation, which are geared to strengthen domestic revenue mobilisation, enhance financial sector resilience, and promote biodiversity conservation and disaster preparedness. The reforms are meant to support the country's long-term development, which was set back by several extreme weather events over the last ten years.

Grenada

Like several other members of the Organisation of Eastern Caribbean States (OECS), Grenada is seeking to develop its sustainable energy sector. To this end, in April 2025, the government announced plans for two exploration geothermal wells in 2026, in Plaisance, St. John and at Tricolar, St. Patrick. The aim of this initiative is to develop a 15-megawatt (MW) geothermal power plant that will be able to supply up to 44 percent of the country's electricity needs and reduce its energy costs and greenhouse gas emissions in the process. In this regard, successful survey results could be a major game-changer for the nation. Additionally, the Public Utilities Regulatory Commission (PURC) signed a Memorandum of Understanding with US-based Rocky Mountain Institute (RMI) for a project to develop the country's first utility-scale photovoltaic generation facility, under the Grenada Renewable Energy Project. The project aims to integrate three solar photovoltaic facilities with a combined total of 15.1MW capacity and a 10.6MW/21.2MWh Battery Energy Storage System. The Chief Executive Officer of PURC described the project as the inaugural phase of Grenada's strategic pursuit of 100 percent renewable energy by 2039.

In April, Grenada signed an air service agreement with Qatar, as part of the latter's ongoing efforts to enhance its connectivity with other countries. The agreement allows the designated airlines of the two countries to operate unlimited and unrestricted traffic rights for both passenger and cargo flights. This arrangement may provide significant long-term benefits for Grenada's tourism industry. Unfortunately, recent developments in the sector were not as positive. Stay-over arrivals contracted by 14.6 percent during the first four months of 2025, with the number of visitors from all major markets falling appreciably compared to the same period a year earlier. During the period, the number of visitors from the US, Canada, Europe and other markets fell by 12.7 percent, 19.6 percent, 13.1 percent and 18.5 percent, respectively. Contrarily, the total number of cruise ship tourists rose by a robust 17.2 percent.

Guyana

Domestic oil production continues to trend upward, with the latest available data revealing a 3 percent y-o-y increase in the first quarter of 2025 to 631,000 barrels per day (bpd). Moreover, with ExxonMobil's Yellowtail project set to commence operations later in the year, output is expected to rise sharply to 786,000 bpd by the fourth quarter of 2025. At current production levels, Guyana is the fifth largest supplier in Latin America behind Brazil, Mexico, Venezuela, and Colombia. The EU sanctions on Russian fuels, in response to its military operations in Ukraine, created a major opportunity for Guyana. In 2024, the EU was the leading market for Guyanese oil, accounting for 66 percent of the country's oil exports. Outside of the energy sector, the continued strong credit demand facing the financial sector, highlights the ongoing robust expansion of the economy. At the end of the March 2025, total private sector credit was 18.9 percent above the figure recorded in the same period in 2024, with business and consumer credit expanding by 17.1 percent and 14.0 percent, respectively. Real estate mortgage loans grew by 22.5 percent. As the nation continues its efforts to enhance critical infrastructure, news broke in April that two domestic firms, John Fernandes Ltd and Muneshwers Ltd had formed the Cranes Guyana Consortium to build a port facility in Berbice. The US$285 million facility is expected to create 1,000 new jobs, transform the region of Berbice and help to drive long-term economic growth. The authorities' drive to enhance national connectivity will also facilitate economic growth. In April, the government commissioned 45 bridges along the critical Linden to Lethem corridor. In addition to significantly augmenting access between Regions Nine and Ten, the bridges will provide an enhanced corridor between northern Brazil and the Atlantic Ocean, via the Georgetown port and as such create trade opportunities.

St. Kitts and Nevis

In its March 2025 Article IV Consultation with St. Kitts and Nevis, the IMF highlighted its concerns with the slowing economic activity in the country since 2022, owing to weaker contributions from tourism and government services. Real

GDP expanded by 10.5 percent, 4.3 percent and 1.5 percent in 2022, 2023 and 2024, respectively. The multi-lateral agency also identified the expanding fiscal deficit as a cause for concern. In 2024, the fiscal deficit increased to 10.6 percent of GDP from 0.3 percent of GDP in 2023, driven primarily by a decline in Citizenship-by-Investment (CBI) revenue, in the wake of recent reforms to strengthen the programme. Considering these challenges, the IMF encouraged the authorities to accelerate initiatives to diversify the economy and to implement fiscal consolidation measures. One means by which the government aims to diversify the economy is by building a vibrant gambling industry. Accordingly, the Nevis Island Assembly passed the Nevis Online Gaming Bill, 2025 in April to provide a framework that will build trust in the industry and promote responsible online gaming. Another encouraging development relates to the start of construction work for the Nevis Peak Residences at the Four Seasons Resort Nevis. The development will feature 52 luxury homes and is expected to benefit both the real estate and tourism industries. The homeowners will enjoy access to the amenities of the Four Seasons Resort, while each resident will qualify for the country's CBI programme.

Available data from the Eastern Caribbean Central Bank (ECCB) indicates that stay-over arrivals grew by 1.1 percent in January of 2025, with subdued growth in all major markets. Meanwhile, total arrivals via cruise ships contracted by 23.7 percent from 145,666 to 111,100. On May 26th, the Electronic Travel Authorisation System (ETA) was launched to provide a more efficient and enjoyable experience to visitors and to help enhance border security measures. All visitors (except CARICOM citizens and some special cases) are now required to secure ETA approval before travelling to the country.

St. Lucia

The domestic tourism sector started 2025 in underwhelming fashion. In the first two months of the year, stay-over arrivals fell by 1.9 percent from January-February 2024 levels. The 4.1 percent expansion in visitors from the US was the only bright spot among major source markets, with visitors from Canada, Europe and other markets down 14.4 percent, 5.6 percent and 8.7 percent, respectively. This was accompanied by a 7.5 percent contraction in the number of tourists arriving by cruise ship. The sector is expected to derive long-term benefits when the recently started renovation works on the Castries and Soufriere ports are completed. Although the gains from the project will extend far beyond tourism, the upgrade of the cruise berth in Castries will provide a direct fillip. The project is also expected to provide a boost to the construction sector and is scheduled to be completed by July 2026. In the agriculture sector, the government launched a new insurance programme to protect vulnerable farmers from the full impact of losses due to natural disasters. The government developed the initiative in partnership with Grace Kennedy Ltd, and it will be rolled out during the early period of the 2025 hurricane season. Although it will cater to banana and plantain farmers in the first instance, the plan is for coverage to be eventually extended to the wider agriculture sector. The insurance programme aims to reduce farmers' dependence on post-disaster compensation from the government. The government also agreed to collaborate with Guyana to drive the Agriculture Innovation Entrepreneurship programme. The partnership was formed to help reduce St. Lucia's food import bill and bolster food security.

St. Vincent and the Grenadines

To drive economic diversification, the Caribbean Development Bank (CDB) is providing funding for a project designed to reposition the country's Centre for Enterprise Development Inc. (CED) as a catalyst to transform the Micro, Small and Medium Enterprises (MSMEs) sector. The project is part of CDB's commitment to improve citizens' quality of life by enabling economic resilience, social equity, and environmental sustainability. The CDB sees the project as critical to enhancing CED's capacity to facilitate private sector development. Turning to developments in the tourism sector, the destination recorded a better performance than some of its peers during the early part of 2025, notwithstanding a 1.7 percent fall in cruise ship tourist arrivals. In the first two months of the year, stay-over arrivals rose by an encouraging 12.8 percent that was facilitated by a 74.8 percent explosion in arrivals from the US. Unfortunately, arrivals from all other major source markets fell during the period, led by a 26.6 percent plummet in the other markets segment, and followed by 14.5 percent and 5.3 percent declines in visitors from Canada and Europe, respectively. The economy is expected to benefit from increased airlift during the winter season, with Delta Airlines expected to launch a new daily non-stop flight from Atlanta, Georgia to St. Vincent and the Grenadines from December 20, 2025, to April 12, 2026.

Sint Maarten

The government failed to meet the April 30th deadline set by the Netherlands Financial Supervision Board for Curaçao and Sint Maarten (CFT) to submit its amended budget. Instead, the government indicated that the budget would not be ready before June. The Dutch government also expressed concerns that Sint Maarten did not include debt repayment in its budget. In May, the country, along with its fellow overseas Dutch territory Curacao, informed the Dutch government that they were unable to meet the repayment obligations on loans contracted in 2010 and due in October 2025. Sint Maarten's debt is 73.5 million guilders. This issue, together with the missed budget deadline could undermine the Dutch government's confidence in Sint Maarten's fiscal discipline and may increase the threat of the mainland imposing further guardianship on the country. After expanding by 19.8 percent in 2024, stay-over arrivals are suspected to have expanded further in the first quarter of 2025, in the absence of official data. In the financial sector, the demand for credit remained weak during the period, with private sector loans contracting by 4.6 percent y-o-y in March and mortgages, consumer loans and business loans falling by 3.3 percent, 2.9 percent and 11.4 percent, respectively.

Suriname

After the May 25th parliamentary election failed to produce a clear winner, the opposition, National Democratic Party (NDP), was able to form a coalition government with the other opposition parties, boasting a 34-17 majority. Consequently, the National Assembly is expected to elect Dr. Jennifer Geerlings-Simons, leader of the NDP, as the country's next President, making her Suriname's first female President. The 2025 election was pivotal in the eyes of many, as it determined which administration will likely preside over the period when the country starts to receive the expected windfall gains from its vast petroleum reserves. While the commercialisation of these reserves is expected to transform the economy, there are fears that there could be a shortage of skilled labour domestically to effectively support the sector. The concern is not necessarily centred on the oil and gas industry itself but on supporting industries such as logistics. Currently, only 7 percent of the population has at least a bachelor's degree. In this regard, labour may have to be imported. Turning to recent economic developments, the country continued to benefit from elevated gold prices in the first quarter of 2025 as the average price (US$2,859.62 per troy ounce) was 7.4 percent above the figure in the previous quarter and 38.2 percent above first quarter 2024 levels. High gold prices helped to keep the country's foreign exchange reserves at encouraging levels. They measured 7.5 months of import cover (MIC) in March 2025, compared to 6.4 MIC a year earlier. Price pressures continued to recede in the January-March 2025 period, with inflation averaging 8.5 percent in the period, down from 9.9 percent in the previous quarter and 27.1 percent in first quarter 2024.

Region

In Jamaica, the Planning Institute of Jamaica (PIOJ) reported economic growth of 0.8 percent in the first quarter of 2025, with positive performances in construction (1.5 percent), manufacturing (1.4 percent), agriculture (0.1 percent) and mining and quarrying (0.5 percent). The tourism sector is estimated to have expanded by 0.8 percent, due mainly to the increase in visitor length of stay from 7.4 nights between January and March 2024 to 7.8 nights a year later. This helped to offset the fall in tourist arrivals that occurred during the period, as it resulted in a 3 percent increase in total visitor expenditure. In the first three months of 2025, stay-over arrivals fell by 4.8 percent with declines in the three largest source markets (the US, Canada and Europe). Cruise passenger arrivals contracted by 13.4 percent. In May 2025, the US government lowered its travel advisory for Jamaica from level three to level two, citing a decrease in violent crime since 2024. This is a step in the right direction, that may provide a small spur to the tourism sector. Also in May, the Bank of Jamaica (BOJ) cut its policy rate by 25 basis points to 5.75 percent. The decision was reflective of inflation remaining within BOJ's 4-6 percent target range since September 2024. The bank indicated that though it expected the initial effects of US tariffs on domestic prices to be minimal, the future growth of the economy may be impacted.

Stay-over tourist arrivals in The Bahamas fell by 6.6 percent in January 2025, when compared to the same month in 2024. This was a consequence of reduced visitors from all major source markets. Developments in the cruise ship sub-sector were much more positive, as the number of passenger arrivals expanded by 11.5 percent in the first quarter of 2025. In May, Switzerland-based lifestyle and hospitality company, Aman Group, announced plans to establish a major resort and residence development in Exuma. The project is expected to cost US$260 million and create 500 jobs, including 200 during construction. This is expected to provide a long-term boost to the tourism sector. In other developments, credit rating agency, Moody's assigned The Bahamas a positive outlook on its sovereign credit rating for the first time in almost 20 years. Moody's based its decision to change the outlook from stable on the country's improving debt management, economic growth and fiscal reform. The agency praised government's reforms which are meant to strengthen revenue streams and control spending.

Outlook

The regional economy is expected to post a positive performance in the second half of 2025, with tourism activity expected to provide continued stimulus. However, the region is also expected to be confronted by some of the consequences related to US tariffs and the resulting global uncertainty during the period. This may include weaker demand for Caribbean exports and slower growth. While no major swings in inflation are projected, some jurisdictions may face higher prices, particularly if the recently ignited Israel-Iran and US-Iran conflicts cause energy prices to rise significantly over an extended period. Additionally, regional destinations could face weakened tourism demand in key source markets if global uncertainty intensifies. Finally, with the hurricane season having just started, it is difficult to ignore the perennial risks presented by extreme weather phenomena, particularly their potential to set nations back months or even years. In this regard, the region will, no doubt hope for a relatively uneventful season.

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Ghana Overview and Outlook

OVERVIEW

In 2024, economic activity was driven mainly by the industry and services sectors. The gold industry expanded significantly, supported by higher prices and increased production, while the oil and gas industry, along with the construction and manufacturing sub-sectors, also recorded positive performances. The growth momentum continued into early 2025, with real GDP increasing by 5.3 percent year-on-year (y-o-y) in the first quarter, largely due to higher export earnings, specifically from gold and cocoa. Regarding fiscal operations, the nation has made encouraging progress under its reform programme supported by the International Monetary Fund's (IMF) Extended Credit Facility (ECF). Despite fiscal slippages at the end of 2024, fiscal policy in early 2025 remained aligned with the IMF's targets. Fiscal consolidation is expected to further aid debt management in 2025. In January, John Mahama was sworn in as President for a third term, having led the main opposition party, the National Democratic Congress (NDC) to victory in the December 2024 Presidential elections.

DOMESTIC ECONOMIC PERFORMANCE – 2024

In 2024, real GDP grew by 5.7 percent, compared to 3.1 percent in 2023, with the industry (7.1 percent) and services (5.9 percent) sectors providing the bulk of the impetus. Ghana's oil and gas industry has been a major contributor to economic growth for the nation over the years. Crude oil exports rose by 3.3 percent, from 46.9 million barrels in 2023 to 48.5 million barrels in 2024. However, this increase in exports was accompanied by a decline in international prices, as the average Brent crude spot price fell to US$80.53 per barrel (p/b) from US$82.47 p/b in 2023. Ghana's natural gas production also grew appreciably in recent years, increasing from 2 trillion British thermal units (tBtu) in 2014 to 126 tBtu in 2024 (Chart 1). Overall, the oil and gas industry expanded by 1.1 percent in 2024, following a contraction of 3.5 percent in the previous year.

In the mining and quarrying sub-sector, the gold industry expanded by 19.1 percent, supported by elevated global

Table 1: Key Macroeconomic Indicators

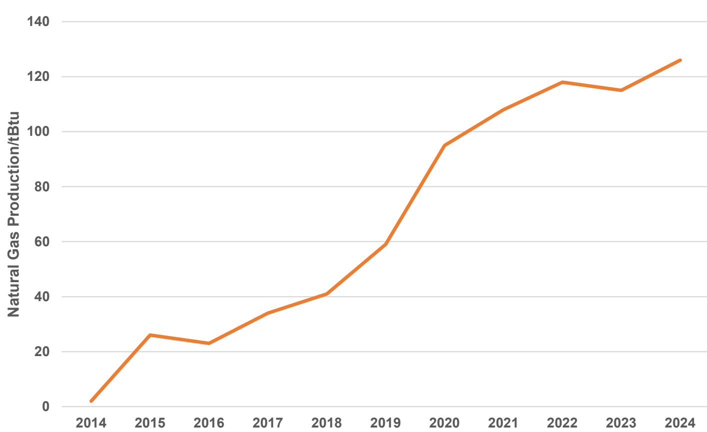
	2024e	2025f	2026f	2027f
Real GDP Growth (%)	5.7	4.0	4.8	4.9
Inflation Rate (%)	23.8	17.2	9.4	8.0
Fiscal Balance/GDP (%)	-7.9	-3.1	-1.9	-1.7
Public Debt/GDP (%)	61.8	66.4	67.2	63.0
Foreign Reserves (US$M)	8,982.5	9,945.3	11,218.5	13,428.0
Import Cover (Months)	4.0	4.0	4.3	4.9

Source: IMF, Ghana Statistical Service (GSS)
e-estimate; f-forecast

prices and increased domestic output. In 2024, gold exports increased by 23.7 percent from 4.124 million fine ounces in 2023 to 5.099 million fine ounces. Gold prices were also more favourable to producers, averaging US$2,282.63 per ounce in 2024 compared to US$1,843.13 per ounce in 2023.

The non-oil sector expanded by 6 percent in 2024, which was an improvement compared to the 3.6 percent growth rate of the previous year. In the services sector, the finance and insurance, as well as the trade, repair of vehicles and household goods sub-sectors expanded by 7.8 percent and 3.6 percent, respectively. Growth in the agricultural sector slowed, with lower crop yields due to adverse weather conditions and other factors. Output in the cocoa industry contracted significantly by 22.4 percent compared to a contraction of 0.3 percent in 2023. This led to a 20.1 percent plunge in cocoa exports to 0.1924 million metric tonnes (MT). On the positive side, cocoa prices rose to US$2,901.87 per tonne in 2024, up from US$2,465.43 per tonne in 2023. The construction industry expanded by 9.6 percent after suffering an 11.2 percent contraction in 2023, while the manufacturing sub-sector grew by 3.9 percent compared to 0.9 percent in 2023.

Chart 1: Ghana's Natural Gas production



Source: Ghana Energy Commission

Table 1: Ghana's Crude Oil Exports

Year	Crude Oil Exports (000' barrels)
2002	62
2003	72
2004	160
2005	82
2006	160
2007	189
2008	214
2009	173
2010	98
2011	24,450
2012	26,431
2013	35,194
2014	37,703
2015	36,460
2016	29,904
2017	56,990
2018	62,020
2019	70,985
2020	67,458
2021	55,416
2022	52,237
2023	47,871
2024	47,488

Source: Ghana Energy Commission

DOMESTIC ECONOMIC PERFORMANCE – Q1 2025

Preliminary data indicate that the domestic economy recorded an expansion of 5.3 percent in the first quarter of 2025, up from 4.7 percent in the corresponding period in 2024. The oil and gas industry encountered some challenges as output from the Sankofa field, which is part of the OCTP project, fell by 14.6 percent during the first three months of the year, due to operational issues. This contributed to a 6.4 percent contraction in crude oil export revenues. On the other hand, earnings from gold exports rose substantially by 63.2 percent, partially driven by elevated gold prices. The average price in the first quarter of 2025 was US$2,802.82 per fine ounce, 35.3 percent above first quarter 2024 levels. With respect to cocoa beans and cocoa products, export earnings grew by 103.6 percent and 194.1 percent, respectively. Anecdotal evidence suggests that the performance of the construction sector was positive, although its expansion was less robust than anticipated. In the financial sector, private sector credit increased by 26.9 percent in February 2025, compared to the 8.2 percent in February 2024. Additionally, the country's stock of foreign currency reserves expanded in early 2025, with gross international reserves rising by 51.4 percent to US$9,388.04 million, as at the end of February 2025.

FISCAL PERFORMANCE

In 2024, Ghana recorded an overall fiscal deficit equivalent to 7.9 percent of GDP, exceeding the target deficit of 4.2 percent. Total revenue amounted to GH¢186.6 billion, surpassing the revised target of GH¢177.2 billion. This favourable outcome was largely due to higher earnings from oil and gas, as well as elevated non-oil tax revenues. Total expenditure amounted to GH¢279.2 billion, which was 27.1 percent above the budgeted GH¢219.7 billion. On April 15, 2025, the IMF and Ghana reached a staff-level agreement for the fourth review of Ghana's ECF-supported programme, potentially granting Ghana access to about US$370 million. Although programme performance deteriorated at the end of 2024, due to fiscal slippages, higher inflation, and delayed reforms, Ghana's new administration has since implemented public finance reforms, tighter monetary policy and utility price adjustments to address these issues. Fiscal policy implementation in 2025 has been broadly aligned with the budget and although revenue fell below target, expenditure cuts were implemented to help offset the shortfall.

DEBT

Provisional data revealed that public sector debt declined to 61.8 percent of GDP at the end of 2024 compared to 68.7 percent of GDP in 2023. This reduction in the debt-to-GDP ratio was partially due to a 37 percent haircut on the principal of outstanding Eurobond debt under the country's debt restructuring programme. At the end of March 2025, the outstanding public debt stock stood at GH¢769.4 billion or 55 percent of GDP. In 2022, the government initiated a debt restructuring programme with the objective of restoring debt sustainability and economic stability. The restructuring process is approximately 93 percent complete. The new administration has expressed its commitment to complete the process which requires an agreement on US$2.7 billion in debt owed to commercial creditors. The sustained implementation of rigorous fiscal consolidation throughout 2025 is expected to further reinforce the nation's debt management efforts.

MONETARY POLICY

On May 23, 2025, the Monetary Policy Committee (MPC) resolved to keep its policy rate steady at 28 percent. New predictions paint a picture of steadily decreasing inflation, thanks to firm monetary policy, a stable exchange rate and cautious government spending. According to recent data, headline inflation decreased in the first three months of 2025, averaging 23 percent compared to 24.2 percent in the similar quarter of 2024. This decrease was due to declines in both food and non-food inflation, which averaged 27.6 percent and 22.3 percent, respectively. However, in the first quarter of this year, the average exchange rate stood at GH¢15.33 to US$1.00, which was higher than the average (GH¢12.28) recorded in the same period of 2024. The exchange rate is closely monitored by the Bank of Ghana because it can significantly influence domestic inflation pressures. The MPC continues to take a cautious approach regarding its management of the economy, with inflation still above the medium-term target of 8±2 percent. Therefore, the MPC deems it necessary to maintain a tight monetary policy stance to further reduce inflation.

OUTLOOK

Ghana's government forecasts real GDP growth of 4 percent in 2025, with non-oil GDP growth targeted at 4.8 percent. With regard to oil and gas projects, the authorities expect production at the Pecan 1A Upstream Project to commence in 2025. This project is being developed by Aker Energy, with participation from the Ghana National Petroleum Corporation (GNPC). Additionally, in May 2025, Eni Ghana and its OCTP partners (Vitol and GNPC) began activity at the Sankofa East 1X Side Track, with drilling operations already being conducted approximately 60 nautical miles off Ghana's coast, near the John Agyekum Kufour FPSO. Regarding public finance, the fiscal deficit is expected to narrow in 2025, reflecting the government's fiscal consolidation drive and improved management of public finance. The country's debt-to-GDP ratio is projected to fall further in 2025, supported by ongoing debt restructuring efforts and stronger revenue mobilisation. Despite the upbeat projections, there are significant downside risks, including climate change impacts, possible policy reversals and the ripple effects of US tariff hikes. While the ongoing public sector reform programme is expected to limit medium-term growth, it is expected to enhance Ghana's long-term economic stability.