COUP D'ÉTAT PTSD? OR SAME OLD DISINFORMATION AND FEAR MONGERING? OR BOTH?

On May 12th 2021, T&T's Minister of Finance tweeted *"We keep being told to go to the IMF for loan financing. What the 'experts' don't disclose is that the IMF requires a commitment to structural adjustment before they give you one cent. This means retrenchment and removal of subsidies and social grants. This 'advice' is dangerous."* Oh, the irony.

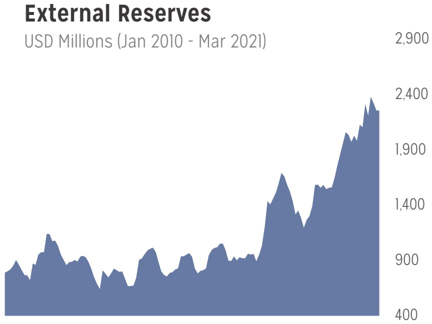
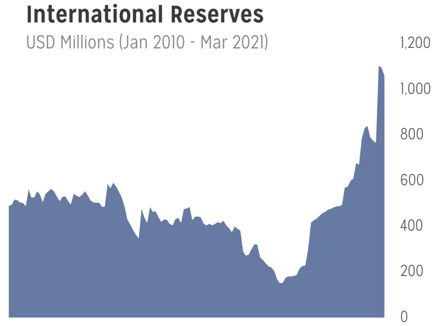
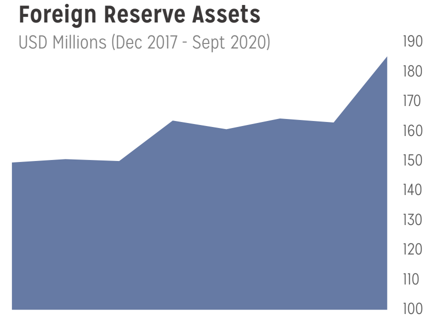
In the first place, 'Structural Adjustment' is 1980's terminology which was discontinued along with many of the reforms prescribed back then to 'liberalize' (developing) economies in debt / balance of payments (BoP) crises. T&T underwent an IMF Structural Adjustment program in the 1980's which arguably contributed to socio-economic deterioration and the 1990 attempted coup d'état. Continuously demonizing the IMF and (implicitly) citing this historical event to justify avoiding critical reforms and mitigating KNOWN risks today, is irresponsible at best, and demonstrates an absence of leadership. At this critical and delicate juncture, finding solutions is of existential importance. Which is precisely why the Minister's statement is where the real danger lies – pun intended. What is his alternative solution? Asking for a crumbling nation.

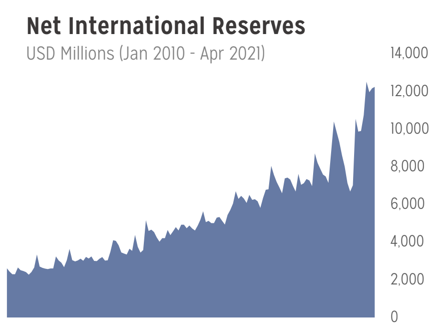
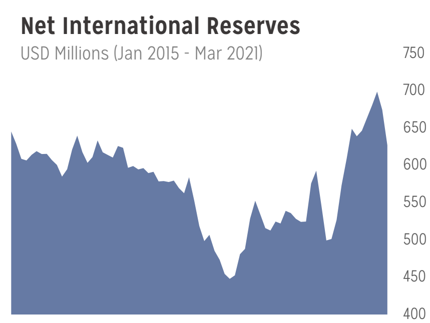
T&T is currently hemorrhaging over USD1 billion in FX reserves annually

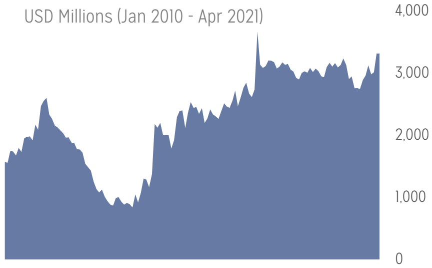
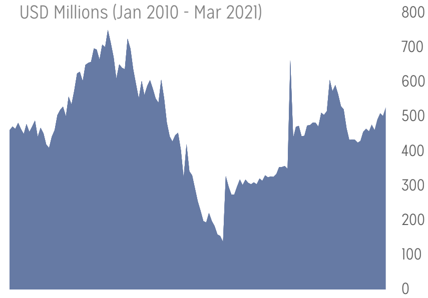
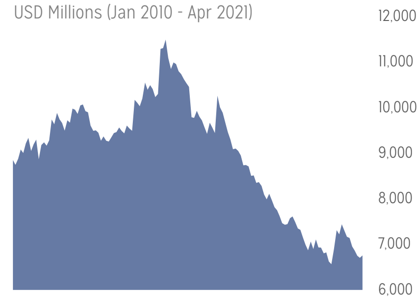
#FactCheck - T&T is hemorrhaging over USD1 billion in foreign reserves annually (absent HSF drawdowns and USD borrowing) and will run out of USD by 2022, falling into a BoP crisis UNLESS there is reform. Seeking IMF support implies some commitment to reforms which we desperately need anyway, to mitigate the risk of repeating our 'mistakes'. These reforms are not imposed by the IMF – arriving at an agreement involves a negotiation process based on the evidence, resulting in a bespoke reform agenda. For example, Jamaica agreed to depreciate its currency while Barbados did not. Barbados agreed to external and domestic debt restructure, while Jamaica only restructured its domestic debt - twice. Barbados and Jamaica agreed to address their public sector wage bill via retrenchment, but Grenada did not. And finally, the Minister should be pleased to know that the IMF in fact imposes a FLOOR - which may imply an actual increase - on social protection spending and prioritizes the mitigation of any negative social implications of the agreed reform agenda.

Before T&T borrows from the IMF, we could opt to drawdown our ~242 million Special Drawing Rights (SDR), currently worth ~USD350 million (SDR1 = USD1.444), which carries no conditions whatsoever. Furthermore, it is important to remind the Minister that the cost of borrowing from the IMF is among the lowest worldwide. When (not *if*, absent critical reforms) T&T succumbs to a BoP crisis, we would be able to access up to 400% of our SDR quota of ~470 million, about ~USD677 million in IMF support. There would likely be additional sources of support / lending from other development partners as well. Reforming to avoid a painful BoP crisis would be ideal (see Suriname's experience), but it requires leadership. Alas!

The true 'dangerous' advice, which the Government follows blindly, is aimlessly withdrawing from the HSF and borrowing USD to finance recurrent spending, including interest on existing debt and tax refunds. This can only end one way.

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	Economic activity in Q1 2021 was subdued given tourism weakness, lower household spending, and mounting pressures on Gov't finances. Reconstruction from Dorian fueled activity and job creation but is also exerting pressure on FX reserves. The supply of FX from the private sector fell 30% y/y, while demand fell only 14%. Reserves remained at around USD2.26 in early May, with demand expected to peak seasonally later in the year. The Central Bank indicated that public spending has stoked demand for FX, while private lending has not, given weaker credit growth. The Central Bank revealed that provisioning for NPLs rose to over 100% in 2020 and banks wrote off over BSD145 million in expected credit losses, given the negative impacts from COVID. This positioned the banking sector well in early 2021, such that capital and liquidity levels are deemed adequate to absorb the shock. The NPL to total loan ratio was 8.7% in March 2021, with 7% of private sector credit outstanding still under deferred payment conditions.	The economy contracted 19.8% y/y in Q1 2021 - the fourth consecutive quarter of double-digit declines, as tourism contracted ~96% y/y. Monthly sales by VAT registrants hit the lowest level in March 2021 since June 2020, remaining far below historic levels. Construction activity declined in Q1, largely due to the partial lockdown. Unemployment ended 2020 at 13.6% compared to 8.9% in Q4 2019, with over 6,000 more persons jobless. There were 11,802 unemployment claims in Feb 2021 - the highest level since April 2020 – but falling to 4,040 in March. Foreign reserves remain stable with import cover estimated at 43 weeks. The Central Bank anticipates growth of 1-3% in 2021, which will largely depend on the pace of tourism recovery. Volcanic ash from St Vincent will dampen Q2 2021 growth numbers. Gov't met all quantitative targets in March 2021 under its IMF BERT program, except for transfers & grants as a result of COVID response outlays. Gov't is budgeting a 0% of GDP primary balance for FY2021/2022.	The new coalition Gov't, sworn-in in mid-April, is expected to pursue private-sector focused growth policies. They have confirmed plans to reopen tourism when 70% of the population has been vaccinated, expected by July, and currently at 52%. In H2 2020, unemployment reached 5.2%. The size of the labor force declined 10.5% y/y to 43,922 persons, with 2,279 persons unemployed. The total population declined 5.9% y/y in 2020 to 65,786, as many foreign workers returned home when tourism activity ceased. Merchandise imports fell 6% y/y in 2020, non-petroleum imports by 2.2%, food imports by 2.8%, and Beverage & Tobacco by 17%. A fiscal surplus of KYD196 million was recorded for Q1 2021, exceeding budget estimates, and wider y/y. Debt/GDP stood at 5.1% in Q1 2021 at KYD243 million, and remains one of the lowest in the world. Moody's affirmed the Aa3 credit rating with a stable outlook, based on the low debt burden and narrow deficit despite the pandemic, high GDP per capita, and institutional strength.
TOURISM	Stay-over: 2021: 102,906 (Mar) -70.4% y/y Cruise pax: 2021: 45 (Mar) -99.9% y/y	Stay-over (est): 2020: 203,663 (Dec) -71% y/y Cruise pax (est): 2020: 250,881 (Dec) -64% y/y	Stay-over: 2020: 144,427 (Sept) -62.6% Cruise pax: 2020: 538,140 (Sept) -59.6%
GROWTH	-16.2% (2020 prelim. est.)	-18% (2020 prelim. est.)	-7.6 (2020 prelim. est.)
RESERVES	**External Reserves** USD Millions (Jan 2010 - Mar 2021)  Source: Central Bank of The Bahamas, Marla Dukharan	**International Reserves** USD Millions (Jan 2010 - Mar 2021)  Source: Central Bank of Barbados, Marla Dukharan	**Foreign Reserve Assets** USD Millions (Dec 2017 - Sept 2020)  Source: CIMA, Marla Dukharan
OUTLOOK	Central Bank estimates the recovery could take until 2023 with only incremental growth in 2021. The IMF forecasts growth at 2% in 2021, a stronger recovery in 2022 of 8.5%, and pre-pandemic levels of activity not expected before 2024.	The Central Bank expects growth in the range of 1-3% in 2021. IMF forecasts gradual recovery to begin at 4.1% for 2021. Growth will return to a medium-term average of 2% as structural reforms are implemented.	The Gov't estimates growth for 2021 will likely fall below the initial 4.5% projection, largely dependent on the timing of the reopening of tourism and the effectiveness of the vaccine rollout.

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	Tourism revenues fell 53% y/y in 2020 to USD1 billion as tourist arrivals dropped 75%. The average occupancy rate for 2020 was 14.7%. In Q1 2021, tourist arrivals were down 94% y/y and with April being the month with the most COVID cases confirmed in Cuba to date, the challenges for the economy are mounting. Cuba imports 80% of its food, costing USD2 billion per year, and tourism weakness means less FX available to meet the country's import needs. A package of 63 measures to stimulate domestic food production was recently passed, including lower prices for power and water for the agriculture sector, and lower feed prices for livestock producers. Only 7% of Cuba's farmlands have irrigation. Recent projections from the Economist Intelligence Unit forecast price inflation in Cuba could reach nearly 500% this year, as the country progresses with the unification of its currencies. Cuba's severe FX deficit impacts imports of raw material, fuel, machinery, and spare parts, in turn reducing production for export.	The economy expanded 10.6% y/y in March 2021, with major gains in Construction +57%, Free Zones +32%, Mining +21%, Transport & Storage +20%, Local Manufacturing +13%, and Commerce +9%. Construction will remain robust supported by tourism projects, low and middle-income housing projects, and public infrastructure programs. A record USD995 million in remittances were received in March and USD911 million in April, bringing YTD remittances to USD3.5 billion, supported by stimulus checks in the US. Exports grew 7.5% y/y to USD2.9 billion in Q1 2021, with strong performance from Free Zones, while imports grew 10% y/y. Foreign Direct Investment in Q1 reached USD851.1 million. International reserves ended April well over USD12 billion providing 7.5 months of import cover. The DOP appreciated 2% in April 2021 versus December 2020. The monetary policy rate was left unchanged at 3.00% in April. The financial system reported ROE of 20.2% in March, up 2.01 p.p. y/y, and the Central Bank reports that the financial system is liquid and well capitalized.	Guyana exported its sixth cargo of oil in April 2021, adding an expected USD60 million to the March balance of USD268 million in the Natural Resource Fund. Technical issues in mid-April caused production to drop temporarily, and could impact the next lift for 2021. Exxon has increased its long term production outlook for Guyana with its 17th discovery, and is now expecting to reach 800k bpd by 2025 vs their prior target of 750k bpd. Exxon has affirmed that Liza2 start up is on target for next year. International reserves fell from a high of USD699 million in January to USD627 million in March 2021, nonetheless up 25% y/y. Domestic credit to the public sector grew 47% y/y in March 2021 while private sector credit grew only 2.4% y/y as credit to Gov't expanded by GYD44 billion and credit to the private sector expanded by only GYD6 billion, suggesting Gov't may be crowding out private investment activity. Consumer prices rose 2.0% y/y in March, mainly the result of a 5.7% y/y rise in food prices and 3.4% y/y rise in Health & Medical Services prices.
TOURISM	Stay-over: 2021: 76,913 (Mar) -94% Cruise pax: 2018: 877,500 +43% y/y (*341,005 from USA)	Stay-over: 2021: 1,044,159 (Apr) -25%y/y Cruise pax: 2021: 5,000 (Apr) -99%y/y	Stay-over: 2020: 69,022 (Oct) -73% y/y Cruise pax: n/a
GROWTH	-11% (2020 prelim. est.)	-6.7% (2020 prelim. est.)	43.5% (2020 prelim. est.)
RESERVES	n/a	 Source: Central Bank of the Dominican Republic, Marla Dukharan	 Source: Bank of Guyana, Marla Dukharan
OUTLOOK	We expect growth to remain below 3% in 2021. Recovery beyond this is largely contingent on tourism, investment in food production, and power generation.	Growth is projected at 5.5-6% this year, according to the Central Bank. The IMF expects growth of 5.5% in 2021, with growth averaging 5% in the medium-term.	The World Bank forecasts 7.8% growth in 2021 and 3.6% in 2022. The IMF forecasts 16.4% growth in 2021 and 46.5% growth in 2022, 30.6% in 2023, then averaging 3% in subsequent years.

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	Remittances rose 30% y/y for Jan-Feb 2021 to USD477 million, 68% of which came from the US. International reserves ended April 2021 at USD3.3 billion, providing 39 weeks goods and services import cover. The JMD appreciated in early May from JMD154.31 on April 30 to JMD151.39 : US1.00 on May 12. Exchange rate expectations for March anticipated a 4.5% depreciation of the JMD in the coming 12 months. In March 2021, business conditions were perceived as worse than a year prior, though less so than in prior months. Businesses expected inflation to end 2021 at 6%. The Bank of Jamaica recommends maintaining the current inflation targeting range of 4-6% through FY2023/24, citing that lowering the target would require an adjustment in interest rates and stifle growth prospects. Youth unemployment was 22.8% in January 2021 and overall unemployment was 8.9%. The labor force lost 58,600 workers y/y and the total number of unemployed persons expanded 5% y/y to 116,100. Labor force participation declined to 62.8%, nearing 2014/2015 levels.	As part of the 3-year program agreed with the IMF under the Extended Fund Facility, Gov't authorities committed to a flexible exchange rate seeking to eliminate the parallel FX market, restructuring of public debt, and a narrower fiscal deficit. The agreement is expected to receive IMF Board approval in the coming weeks if pre-conditions are met. FX reserves strengthened 21% y/y in Q1 2021 to USD528 million. Point-to-point inflation was 50.4% in March, softening from a high of 68.3% in January. The Economic Activity Index for Nov 2020 posted its sharpest contraction ever at -13.3% (12-month moving average). All sectors except Gov't posted declines, particularly Trade and Construction. Construction materials imports declined 29.6% y/y. The devaluation of the SRD has benefitted public finances. Total Gov't revenues improved 28% y/y in Jan-Feb 2021, with Mining revenues up 71% y/y and non-Mining revenues up 8%. Mining revenues accounted for 41% of total Gov't revenues for Jan-Feb 2021, vs 31% in Jan-Feb 2020.	Economic activity contracted 7.9% y/y in 2020, according to the Central Bank's Index (QIEA), with energy falling 13.8% and non-energy down 4.2%. This followed a 1.2% contraction in 2019 and average growth of -0.6% over the decade prior. Natural gas production fell 15% y/y and crude output declined 3%. Transportation & Storage declined 31%, Construction 2.9%, and Manufacturing 0.8%. Manufacturing capacity utilization fell to 61.9% in 2020. Business credit contracted 4.7% y/y in 2020 and consumer credit declined 2.1%. Energy sector activity remains subdued, with average monthly LNG production in Q1 2021 down 35% y/y, and average natural gas production for Jan-Feb down 16% y/y. A new lockdown will further stifle non-oil activity in 2021. Headline inflation in February was 0.8% with food inflation slowing to 2.3%. Net official reserves fell 3% y/y to USD6.7 billion (or 8 months of imports) despite HSF withdrawals and Gov't borrowing more USD in 2020. Absent HSF withdrawals and USD borrowing, (i.e. organic) reserves would currently stand at only ~USD 3 billion.
TOURISM	Stay-over: 2020: -67% y/y / 2021: 78,629 (Feb) -81% y/y Cruise pax: 2020: 449,271 (Dec) -71.1% y/y	n/a	Stay-over: 2020: 91,886 (Jun) -44.7% y/y Cruise pax: 2020: 45,580 (Nov) -36.3% y/y
GROWTH	-10.2% (2020 prelim. est.)	-12.5% (2020 prelim. est.)	-10% (2020 prelim. est.)
RESERVES	**Net International Reserves** USD Millions (Jan 2010 - Apr 2021)  Source: Bank of Jamaica, Marla Dukharan	**Foreign Currency Reserves** USD Millions (Jan 2010 - Mar 2021)  Source: Centrale Bank van Suriname, Marla Dukharan	**Net Official Reserves** USD Millions (Jan 2010 - Apr 2021)  Source: Central Bank of Trinidad and Tobago, Marla Dukharan
OUTLOOK	EPOC does not anticipate the economy will recover to pre-pandemic levels before FY2023/24. The IMF forecasts 1.5% growth in 2021, 5.7% in 2022. Fitch forecasts growth at 4.5% in 2021, and 5.2% in 2022.	The Government has agreed on a program with the IMF (pending IMF Board approval) as a debt / balance of payments crisis is underway. The IMF is projecting only 0.7% growth for 2021 and 1.5% growth in 2022.	We expect the economy contracted by at least 10% in 2020. The IMF forecasts growth of only 2.1% in 2021 and 4.1% in 2022. We also expect a balance of payments crisis and an IMF program by 2022, at the latest.