IS TOURISM A NET BENEFIT TO THE PEOPLE OF THE CARIBBEAN, OR TO TOURISTS?

The region's stopover tourist arrival recovery after the Global Financial Crisis was mixed – Jamaica and Dominican Republic recovered in 2009, Aruba and St. Lucia in 2010, Cayman and Belize in 2011, Curaçao in 2012, Anguilla in 2013, Montserrat and Grenada in 2014, Barbados and the Bahamas in 2015, Antigua and Barbuda in 2016, Bermuda in 2017, St. Vincent and the Grenadines and Dominica in 2019, and St. Kitts and Nevis never fully recovered when the pandemic hit. Even though the tourism sector was the hardest hit globally by the pandemic, and one would therefore expect it to take the longest to recover, things are a bit different this time – the Dominican Republic and Curaçao already recovered their 2019 stopover arrival levels in 2022, Aruba, Jamaica, and the Bahamas and St. Lucia are expected to recover this year. In terms of their proportion of 2019 levels recovered, Grenada is currently around 82%, Belize 74%, Anguilla 72%, Dominica 68%, St. Kitts and Nevis 66%, St. Vincent and the Grenadines 65%, Barbados 64%, Cayman 57%, and Bermuda 54%.

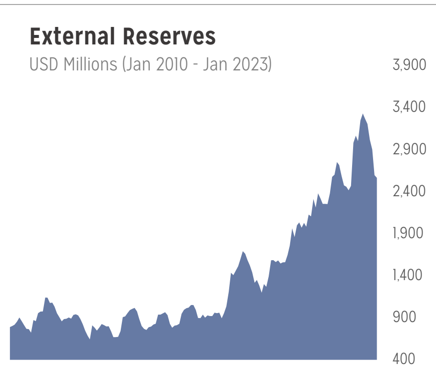
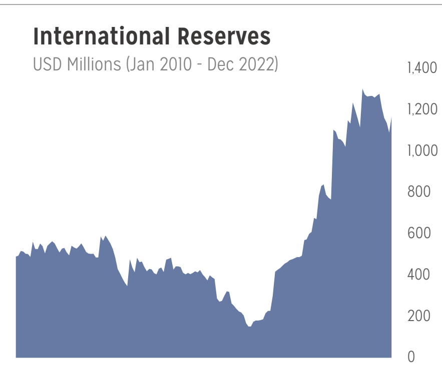
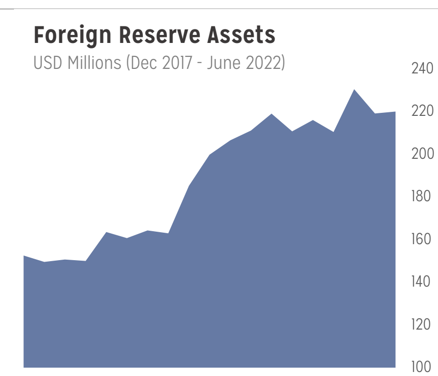
But when we look at real economic recovery rates, the story is a bit different – the Dominican Republic and Belize recovered in 2021, the Cayman Islands and St. Vincent and the Grenadines recovered last year, Jamaica, Barbados and Aruba expected this year, T&T, St. Kitts and Nevis, Dominica, the Bahamas, Grenada and St. Lucia next year, Antigua and Barbuda in 2025, and the rest beyond 2027. This suggests a couple things – that, in general, there is some correlation between tourism and real GDP recovery, and the more diversified economies are recovering in real terms more quickly – with T&T being the notable exception.

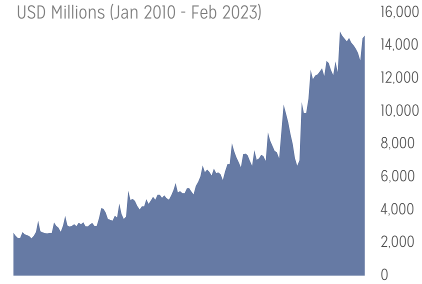
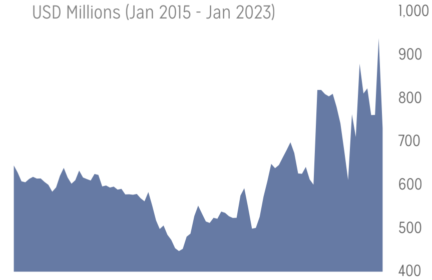
In 2020-21 we were in the midst of an unfortunate natural experiment where we saw the lowest level of tourism arrivals perhaps ever, so people like me salivated over the prospect of finally being able to measure the total impact of tourism on our economies, from a jobs, net foreign exchange earnings, and net fiscal revenue perspective. Alas, it's messier than I thought, and the data are not available. In the first place, despite the fact that the Caribbean Tourism Organization is largely Government (read taxpayer) funded, their statistics are behind a paywall. If the tourism sector can't or won't fund its own statistics, this is a red flag. Regionally, most balance of payments data are not adequately disaggregated to show tourism's imports, even those they make directly (much less the indirect fuel and food imports sourced from local merchants). Fiscal numbers are also not disaggregated to show the amount of subsidies and concessions given, nor the total revenues and income from tourism.

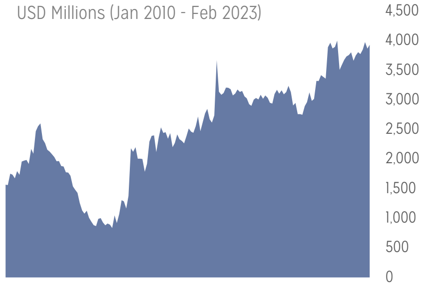
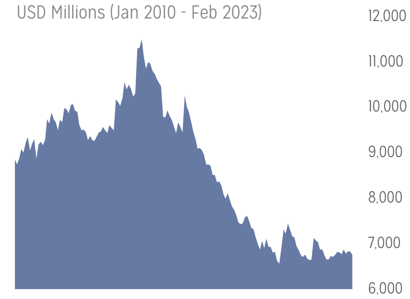
| ON WHAT BASIS DO GOVERNMENTS SUBSIDIZE WHAT THEY DON'T MEASURE?

I believe that in many countries across the region, the tourism sector is a net drain on foreign exchange, especially in Barbados and the Bahamas, where there are foreign exchange controls which incentivize earners of USD to hold their revenue overseas, and only bring onshore that which they need to convert to pay local bills. Most countries in the region carry persistent current account deficits which are financed in the capital account largely via FDI and Government borrowing, which is another indication that the USD outflows outweigh the inflows from this sector. Bottom line, if the overall economy (as it should) generated enough USD to cover its imports, the current account would not be in chronic deficit, and Governments would only need to borrow USD for major infrastructural investment which has a high import component, and where such investment would support higher USD earnings to repay the debt. Governments would not need to borrow to defend the exchange rate, which they routinely do.

I also suspect that tourism may also constitute a net fiscal drain, as many Governments across the Caribbean give concessions and other incentives to the tourism sector, because it generates (largely low-wage) jobs and economic activity. But there isn't adequate data to show the net fiscal impact either. Tourism, if done correctly, can be pro-progress, but I suspect it is currently pro-poverty, across much of the Caribbean, in its current configuration. One wonders if part of the reason for the missing data, is perhaps that the Governments prefer it this way? How can Governments justifiably continue to subsidize tourism without data to show its net contribution? Do these Governments, elected to make the lives of their people better, not understand that if it is in fact a net FX and/or fiscal drain, then tourism constitutes a transfer of wealth from Caribbean people to tourists?

	THE BAHAMAS	BARBADOS	THE CAYMAN ISLANDS
UPDATE	Tourism continues to rebound strongly in 2023 with Jan-Feb air arrivals up by 56% y/y, almost on par with 2019. Sea arrivals for Jan-Feb more than doubled y/y and increased 43% vs Jan-Feb 2019. The number of construction permits issued began to increase in Q2 2022, reaching 424 in Q3 2022, up 11.6% y/y. Jan 2023 inflation eased to 4.8% from a high of 7.1% in July 2022. The overall fiscal deficit for H1 FY2023 narrowed by 2% y/y to BSD276 million. Higher VAT (55% of total tax revenue), property (+62% y/y) and trade (+40% y/y) tax revenue in H1 FY2023 drove a 13.5% y/y increase in total tax revenue. Fiscal expenditure expanded by 8% y/y with interest payments up by 17% y/y and compensation to employees up 12%. Total public sector foreign currency debt grew 12% y/y in Dec 2022 with internal foreign currency debt up by 89% y/y. External reserves reached USD2.56 billion in Jan 2023 or roughly 5 months of goods and services imports, a 0.9% m/m decline but 6% higher y/y.	The 2023/24 fiscal budget projects expenditure at BBD4.25 billion and revenue at BBD3.5 billion with no new taxes announced. Effective July 1, the CARICOM air travel fee will be reduced by 47% to BBD20. The excise and VAT holiday for electric vehicles has been extended to March 2026. The personal income tax allowance for pensioners was increased 12.5% to BBD45K, and reverse mortgages will be established by Jan 2024. BBD1 billion in private (mainly tourism) investment and BBD0.5 billion in Gov't construction will drive activity and job creation. Wage negotiations were settled with a 10% allowance increase for 2022-23 and allowance and salary increases of 3% for both 2023/24 and 2024/25. The unemployment rate declined to 7.2% in Q4 2022 vs 10.9% one year prior. The female unemployment rate was 7.3%, while male unemployment was 7.0%. Gross int'l reserves are expected to reach an all-time high of BBD3.2 billion at the end of March 2023, based on a BBD200 million IDB loan.	Cayman's Human Development Index was 0.877 in 2021 (1=highest/0=lowest) - "Very High Human Development" – but down from 0.882 in 2010. The Gender Inequality index worsened from 0.305 in 2010 to 0.323 in 2021 (1=inequality/0=equality). Life expectancy was 82.1 years: with females surpassing males by 3.3 years. Average years of schooling was 15.2. In Q3 2022, the labour force was 54.9% non-Caymanians, up from 51.1% y/y. Unemployment fell to 2.1% in Q3 2022 from 3% in Q2, with Caymanian unemployment at 3.6%, down from 5.1%. Inflation in Dec 2022 was 5.9% with food prices up 14%, clothing & footwear prices up 12.2%, and household furnishings & maintenance up 9.4%. Average inflation for 2022 was 9.5% with utilities and transport up 14.4% and 11.3%, respectively. The sudden departure of the Deputy Premier/Min. of Finance precipitated a Cabinet reshuffle and means that the coalition Gov't has a 2-seat majority at its half-term mark.
TOURISM	Stay-over: 2023: 279,925 (Feb) @ 100% of 2019 Cruise: 2023: 1,366,199 (Feb) @ 145% of 2019	Stay-over: 2022: 442,576 (Dec) @ 64% of 2019 Cruise: 2022: 357,853 (Dec) @ 64% of 2019	Stay-over: 2022: 284,274 (Dec) @ 57% of 2019 Cruise: 2022: 743,394 (Dec) @ 41% of 2019
GROWTH	+13.7% (2021) / 2022: 8% (IMF)	-0.7% (2021) / 2022: 10% (CBB/IMF)	+1.8% (2021) / 2022: 3.4% (ESO)
RESERVES	 Source: Central Bank of The Bahamas, Marla Dukharan	 Source: Central Bank of Barbados, Marla Dukharan	 Source: CIMA, Marla Dukharan
OUTLOOK	We estimate growth of 6% in 2022 and 4% in 2023, backed by reconstruction and tourism, with economic activity below its 2019 level to 2025. The IMF estimates 8% growth for 2022, 4.1% for 2023, averaging below 2% to 2027.	Growth is estimated at 10% in 2022 by the Central Bank and projected at 5% for 2023, driven largely by tourism and construction. The IMF forecasts 10.5% growth for 2022 and 5% for 2023, averaging 2.4% to 2027. ECLAC projects growth of 5.9% for 2022.	ESO currently projects growth at 3.4% for 2022 and 3.0% for 2023, backed by construction activity and the gradual recovery of tourism. We expect growth to pick up in 2023 to around 4% then average around 3% to 2027.

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	Gov't reaffirmed its 3% growth target for 2023, despite slow recovery in foreign exchange earnings and structural challenges such as 400+ loss-making state-owned enterprises. No specific new measures were announced to address soaring inflation, though Gov't pointed to slow global growth and tighter financial conditions as drivers of further price pressures. Gov't will prioritize restructuring foreign currency allocations, which includes a new mechanism for exporters to self-finance - albeit amidst new currency controls to be outlined by the Economy & Planning Ministry. After months of relative stability, the informal exchange rate depreciated, reaching CUP185:USD1.00 at the end of March 2023 vs CUP160:USD1.00 in early Feb 2023. Power outages continue and power utility UEC announced mid-March they had 910MW offline in addition to 380MW in maintenance. Voter turnout for 2023 national elections was 75.92%. This is a significant fall from the 2018 elections where over 90% of the electorate voted.	The policy rate was maintained at 8.5% in Feb 2023. Headline inflation for Feb 2023 was 6.38%, closer to the Central Bank target of 3-5%. Food prices were up 9.8% y/y, restaurant & hotel prices up 10.2% and education prices up 7.4%. Remittances for Jan-Feb 2023 totalled USD1.57 billion, up 3.9% y/y. Economic activity for Jan 2023 increased by 0.4% y/y; activity in the construction sector declined by 11.5% as input prices remain elevated, while service sector activity increased by 3.1% driven by a 15.8% increase in performance of the hotel & restaurant industry. International reserves for Feb 2023 reached USD15.6 billion, a 5% increase y/y supported by strong tourism revenues and remittances. The DOP appreciated slightly y/y from DOP56.78:USD1.00 in Feb 2022 to DOP56.15 in Feb 2023. Loans to the private sector increased by 16.8% for Feb 2023, and the Central Bank reaffirmed the financial system's strength, citing high loan loss provisions, strong quality indicators and sufficient capital to absorb shocks.	In Feb 2023 inflation reached 6.6% with food prices up 12.6%, furniture prices up 2.8%, and transportation up 1.4%. Gov't continues to drain the sovereign wealth fund, the National Resource Fund (NRF), with a withdrawal of USD200 million in Feb 2023. The ending balance for the month was USD1.4 billion or a 92% increase y/y. In 2022, the Gov't withdrew USD607 million from the NRF. International reserves slipped by 22% m/m to USD731.7 million in Jan 2023. In Jan 2023, total deposits grew 15.1%, with resident deposits up 15.3% and foreign sector deposits up 9.6%. Loans to residents increased 18.6% y/y. Loans to businesses were up 21%, though those to rice milling and forestry were down 35% and 14%, respectively. Preparatory works for the Gas-to-Energy project has begun. New estimated cost for the project is USD2.1 billion, which will require an average annual debt of USD106 million for 20 years, possibly increasing the country's debt stock to over USD5 billion once full funding is disbursed.
TOURISM	Stay-over: 2022: 1,614,118 (Dec.) @ 38% of 2019 Cruise : n/a	Stay-over: 2023: 1,335,837 (Feb) @ 111% of 2019 Cruise: 2023: 522,923 (Feb) @ 192% of 2019	Stay-over: 2022: 105,905 (May) @ 86% of 2019 Cruise : n/a
GROWTH	+1.3% (2021) / 2022: 2% (Min. of Fin.)	+12.3% (2021) / 2022: 4.9% (Central Bank)	+23.8% (2021) / 2022: 57.8% (WB/IMF)
RESERVES	n/a	**Net International Reserves** USD Millions (Jan 2010 - Feb 2023)  Source: Central Bank of the Dominican Republic, Marla Dukharan	**Net International Reserves** USD Millions (Jan 2015 - Jan 2023)  Source: Bank of Guyana, Marla Dukharan
OUTLOOK	Gov't anticipates 3% real growth in 2023, while growth for 2022 was estimated at 2%. Recovery beyond this depends mainly on FDI, tourism, investments in agriculture and power generation, international relations/sanctions, and Russia's invasion of Ukraine.	The external sector will continue to see robust activity, with the recovery of tourism to continue in 2023. The IMF's growth estimate for 2022 was revised to 5.25% and growth is expected to remain around 5% over the next 5 years.	Growth is projected at 25.2% in 2023 following the highest ever at 57.8% in 2022, according to the World Bank. For 2023-2026, oil GDP is forecast to increase by an average of 30% and non-oil GDP by 5.1%.

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	Fitch affirmed its B+ rating but changed the outlook from Stable to Positive, echoing the IMF's expectation of declining debt. The MoF announced that overall public debt is expected to reach 79.7%/GDP at the end of Mar 2023 and fall further to 74.2% for FY2023/24. The largest budget of JMD1.12 trillion was presented, with an overall surplus budgeted at 0.3%/GDP and a primary surplus at 5.6%/GDP. The minimum wage will be hiked by 44% effective June 1 2023, from JMD9,000 to JMD13,000/week. Gov't announced a 74% increase in pensions from JMD1,700 to JMD3,000/week effective April 1. The IMF approved a disbursement of USD968 million under the PL Line and USD764 million under the RS Facility. PIOJ estimates growth of 3.4% y/y for 4Q2022 as mining & quarrying rebounded by 115.9% y/y with the reopening of the JAMALCO plant. Hotels & restaurants grew 24.3% y/y. Headline inflation for Feb 2023 was 7.8% with food +11.2% and rest. & accommod. +15.6%. The policy rate of 7% was maintained. Int'l reserves reached USD3.9 billion at the end of Feb 2023 or 24.9 weeks of goods & services imports.	A second round of protests occurred this year, with demands for the existing President to resign, amid accusations of attempts to postpone elections. The Monthly Economic Activity Index was down 0.9% y/y in Nov 2022. Activity for insurance and financial institutions was down 28.3% and agriculture sector activity fell 20%. Construction and hotel & food services activity was up 21.3% and 30% respectively. Foreign currency reserves at the end of Feb 2023 reached USD940.4 million or roughly 5.9 months of imports. Despite this, the SRD continued to depreciate, averaging SRD35.32:USD1.00 in the third week of March 2023, up from an average monthly rate of SRD21.60:USD1.00 in March 2022, prompting calls by the National Assembly for an explanation from the Gov't. Inflation for Feb 2023 reached 57.9% y/y, with food prices up 58.7% y/y, housing and utilities prices up 65.5%, and transportation prices up by 77.3% y/y. In addition to its inflationary impact, the depreciation of the SRD increases the size of foreign debt in SRD terms, creating further pressures on Gov't finances.	The IMF's Article IV concluding statement estimated real growth for 2022 at 2.5%, with the energy sector contracting by 1.8% and non-energy expanding 4.3%. **2022 therefore represents the 9th consecutive year of real contraction of the energy sector**. The IMF warned that maturing oil and gas fields will translate into slower growth and a declining current account surplus due to falling petrochemical and LNG exports. Headline inflation for Jan 2023 reached 8.3% with food prices up 17.3%, transport prices up 14%, and recreation and culture prices up 11%. The Central Bank (CBTT) maintained its policy rate at 3.5%, however the IMF encourages increasing the rate as inflation remains high. For Jan-Feb 2023, the sale of foreign currency to the public surpassed purchases of foreign currency by authorized dealers and the CBTT by USD183.6 million. Net official reserves fell by 1% m/m to USD 6.75 billion in Feb 2023 or 8.5 months of imports. For Feb 2023, which historically records the highest number of visitors, tourist arrivals reached 78% of 2019 levels, with visitors for Carnival at 61% of 2019 levels.
TOURISM	Stay-over: 2022: 2,478,386 (Dec) @ 92% of 2019 Cruise: 2022: 852,294 (Dec) @ 55% of 2019	n/a	Stay-over: 2023: 56,490 (Feb) @ 81% of 2019 Cruise: 2022: n/a
GROWTH	+4.6% (2021) / 2022: 2.8% (IMF)	-3.5% (2021) / 2022: 1.3% (IMF)	-0.7% (2021 est) / 2022: 2.5% (IMF)
RESERVES	**Net International Reserves** USD Millions (Jan 2010 - Feb 2023)  Source: Bank of Jamaica, Marla Dukharan	**Foreign Currency Reserves** USD Millions (Jan 2010 - Feb 2023)  Source: Centrale Bank van Suriname, Marla Dukharan	**Net Official Reserves** USD Millions (Jan 2010 - Feb 2023)  Source: Central Bank of Trinidad and Tobago, Marla Dukharan
OUTLOOK	BoJ expects growth of 2-4% in FY 2022/23 as the tourism recovery strengthens. Pre-COVID GDP levels could return in FY2022 /23. The IMF forecasts growth of 3% in 2023, averaging 1.8% to 2027.	The IMF program underway supports a recovery from the debt/balance of payments crisis. The IMF projects growth of 1.3% in 2022, 2.3% in 2023, averaging 3% to 2027.	The IMF lowered its GDP growth forecast to 2.5% from 4.0% for 2022, then averaging 2.5% to 2027. We expect a debt restructure in the coming years, absent significant reforms to address debt and declining reserves.