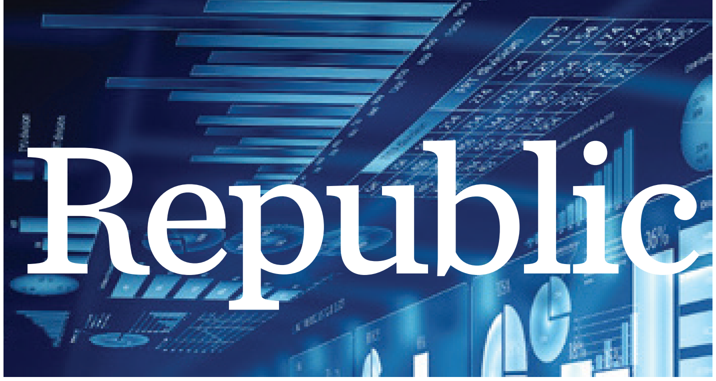

Republic Economic NEWSLETTER

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A Positively Tepid Performance

OVERVIEW

As the economy transitioned from the third quarter to the fourth quarter of 2023, activity was constrained by production challenges in the energy sector, while preliminary data suggest a dip in specific non-energy industries. While the non-energy sector likely benefitted from the usual seasonal consumption boost, the disappointment expressed by some business owners regarding the level of sales, suggest the impetus was either more concentrated or less intense than desired. Against this setting, Republic Bank Limited estimates that the domestic economy expanded by 1 percent in the fourth quarter of 2023 compared to the previous quarter, with unemployment remaining low after falling to 3.2 percent in the third quarter. This tepid performance was reflected in the domestic equity market, with the Composite Price Index rising by only 0.4 percent on a quarter-on-quarter (q-o-q) basis but falling by 8.9 percent year-on-year (y-o-y).

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

INDICATOR	2022	2022.4	2023.4 p/e
Real GDP (% change)	1.5	1.8	1.0
Retail Prices (% change)	5.8	3.6	0.5
Unemployment Rate (%)	4.9	4.7	4.1
Fiscal Surplus/Deficit ($M)	2657.8	1,977.5	1,072.8
Bank Deposits (% change)	2.2	2.6	1.4
Private Sector Bank Credit (% change)	11.2	5.2	3.8
Net Foreign Reserves (US$M)	10,998.1	10,998.1	10,024.9
Exchange Rate (TT$/US$)	6.73/6.78	6.72/6.78	6.72/6.78
Stock Market Comp. Price Index	1,332.15	1,332.15	1,214.05
Oil Price (WTI) (US$ per barrel)	94.91	82.69	78.63
Gas Price (Henry Hub) (US$ per MMBtu)	6.42	5.55	2.74

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

The fourth quarter of 2023 was a challenging period for the domestic energy sector, given production declines in the upstream sub-sector and for most downstream commodities. During the period, oil production contracted by 1 percent when compared to the previous quarter and was 11 percent below the levels of a year earlier. In November, Heritage Petroleum Company Ltd, Woodside Energy and Perenco Trinidad and Tobago Ltd recorded sizeable decreases in output. Aggregate domestic gas output fell by 1.4 percent q-o-q and 1.8 percent y-o-y. The declines in the downstream sector were even more pronounced, with ammonia and urea production falling by 25.1 percent and 71.4 percent y-o-y, respectively. Thankfully, methanol output was able to buck the trend, expanding by 11.6 percent in the first two months of the fourth quarter. Similarly, there was a rise in liquefied natural gas output by 4.1 percent. As it relates to the barometers of exploration activity, rig days decreased by 37.5 percent y-o-y, while depth drilled fell by 9.9 percent, suggesting appreciable cooling.

International energy prices moved in divergent directions during the fourth quarter, with the average West Texas Intermediate oil price falling by 4.4 percent to US$78.63 per barrel. To support prices, in December 2023, OPEC+ took the decision to cut an additional 2.2 million barrels of oil per day from its production in the first quarter of 2024. The group subsequently extended the cuts to the second quarter. By contrast, gas prices rose by 5.8 percent to US$2.74 per million British thermal units (MMBtu). Global ammonia prices softened in the second half of 2023, given weakened demand. While methanol prices trended down in the European market during the fourth quarter, they remained buoyant in the Asian and North American market.

In December, government announced that the National Gas Company of Trinidad and Tobago (NGC) had signed the agreement with Shell and BPTT to unitise the commercial structure of Atlantic LNG after years of negotiations. The long-heralded agreement was a critical component of government's plans to enhance the benefits the country derives from the energy sector. Under the new arrangement, Shell PLC and BPTT will each control 45 percent of Atlantic's four trains, while NGC will possess 10 percent. Previously, NGC owned 10 percent of Train 1 (which was mothballed in 2020) and 11.1 percent of train 4, with no stake in Trains 2 and 3. Shell and BPTT controlled the remaining shares of Train 1 and 4, in addition to all of Trains 2 and 3.

NON-ENERGY

Judging by local cement sales, which are normally a good indicator of the level of activity in the construction sector, there was a major fall-off in December, following upbeat performances in the previous two months. As a result, the sector is estimated to have recorded a contraction in the fourth quarter of 2023 compared to the third quarter, with cement sales down 5.2 percent q-o-q. On a y-o-y basis, however, construction sector activity likely expanded substantially, given the 15.8 percent increase in cement sales over fourth quarter 2022 levels. Turning to the trade and repairs sector, new motor vehicle sales, which are used as a gauge of the health of some aspects of retail trade, contracted by 1.2 percent compared to the previous quarter but grew by a robust 22.3 percent over fourth quarter 2022 levels. In the absence of official data, the Retail Sales Index is estimated to have registered an eighth consecutive quarter of growth between October and December 2023, after rising by 6.8 percent y-o-y in the previous quarter. In the July-September period, strong growth was recorded in the motor vehicles and parts (21 percent), textile and wearing apparel (11.6 percent) and petrol filling stations (13.9 percent) categories. On the other hand, contractions were recorded only in the construction materials and hardware (15.5 percent) and household appliances, furniture and furnishing (5.2 percent) groupings. Regarding the manufacturing sector, data from the Central Statistical Office indicate an average 1.3 percent contraction in the first half of 2023, with growth in the food, beverages and tobacco sub-sector being outweighed by contraction in others. This trend likely continued in the second half of the year.

FISCAL

Government recorded an overall fiscal surplus of $1,072. 8 million during the fourth quarter of 2023, down from $1,978.8 million a year earlier. During the period, total expenditure fell by 9.9 percent to $12,070.7 million, with the current component, which accounted for 98 percent, contracting by 8.6 percent. Although there was a 55.5 percent decline in energy revenue, total revenue fell by the significantly less alarming figure of 14.5 percent, with the growth in non-energy revenue offsetting some of the loss. The substantial fall in energy revenue was due primarily to the slide of global energy prices. In the fourth quarter of 2022, oil and gas prices were US$82.69 per barrel and US$5.55 per MMBtu, respectively compared to US$78.63 per barrel and US$2.74 per MMBtu a year later.

MONETARY

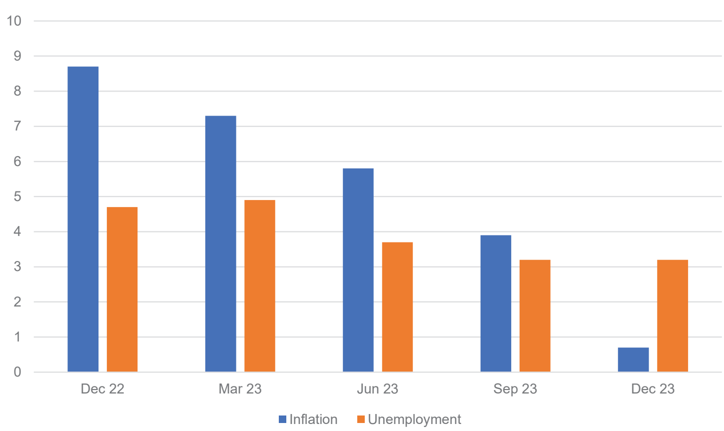
In its December monetary policy announcement, the Central Bank's Monetary Policy Committee (MPC) left its policy rate, the Repo rate, unchanged at 3.5 percent. The MPC's decision was guided by the pause in interest rate increases by the US Federal Reserve and other major central banks, the continued ease in domestic inflationary pressures, the narrowing of the US-TT short-term interest rate differential and the continued growth of non-energy sector activity. As it relates to price pressures, headline inflation decelerated to 0.7 percent at the end of the fourth quarter from 3.9 percent at the end of the previous quarter and 8.7 percent a year earlier (Figure 1). The fall in the inflation rate was due to the slower advance of the core component, which eased to 1.2 percent from 6.7 percent in December 2022 and the decline in food prices by 1.1 percent in December, after increasing by 17.3 percent, 12 months prior. Turning to the US-TT short-term interest rate differential, it declined to -440 basis points in November 2023 from -464 in August. While this development didn't result in a significant decline in the external pressures facing the MPC, it was indeed an encouraging development.

With the Repo rate unchanged, the commercial banks' average prime lending rate remained at 7.57 in the fourth quarter of 2023. Against this backdrop, the demand for credit was upbeat during the period, with business loans growing by 8.5 percent y-o-y and 3.8 percent q-o-q (Figure 2). Consumer loans expanded by 3.5 percent over third quarter 2023 levels and was 7.1 percent greater than the figure posted in the fourth quarter a year earlier. At 2.2 percent q-o-q and 5.4 percent y-o-y, growth in real estate mortgage loans was comparatively less impressive but encouraging, nonetheless. Upbeat credit demand played a secondary role in pushing the commercial banks' excess reserves at the Central Bank down to a daily average of $4.9 billion in November from $6.3 billion in August. The major determinant was an increase in government's domestic financing operations, which contributed to the increase in interbank activity in the fourth quarter and led to the Repo window being accessed for the first time since January 2022.

RESERVES

The country's reserves, represented by the net foreign position, rose slightly to US$10,025.9 million (7.8 months of import cover) in December from US$9,972.2 million (8 months import cover) three months earlier. However, this figure was 8.8 percent below the US$10.998.1 million (8.6 months of import cover) recorded at the end of 2022. In the fourth quarter, the net sale of foreign currency (the difference between sales to the public and purchases from the public by authorised dealers) decreased by 47.7 percent compared to the previous quarter but were 46.1 percent above the figure in the fourth quarter of 2022. The TT-US exchange rate remained at TT$6.78 per US$1.

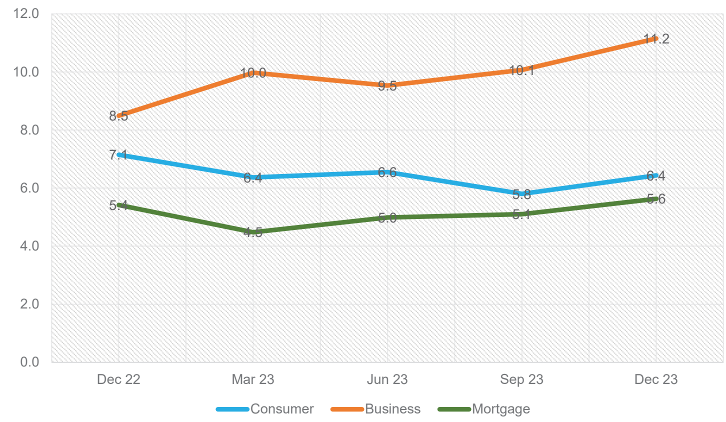
Figure 1: Inflation (% Change) & Unemployment Rate (%)



Source: CBTT, CSO

Note – Inflation data are end of quarter figures; Dec 2023 unemployment figure is an estimate.

Figure 2: Credit Growth (% Change)



Source: CBTT

OUTLOOK

Although global conditions and OPEC+ production cuts are expected to keep international energy prices elevated during the first half of 2024, the performance of the domestic energy sector is expected to be constrained, with no major increase in production envisaged for the period. In this regard, the non-energy sector is expected to provide the bulk of the stimulus for the domestic economy during the period. With general elections just over a year away, the construction sector could benefit from an increased thrust by government to complete major projects, in addition to continued momentum in private sector projects. Positive performances are also expected in wholesale and retail, transport and storage, and some segments of manufacturing. Domestic price pressures are expected to remain contained, with no major increase in inflation expected heading into June 2024.

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Caribbean Tourism Industry 2023

An Incomplete Recovery

Overview

In 2023, the tourism-dependent economies recorded solid performances as they continued their recovery from the COVID-19 pandemic. However, most of them are yet to make a full recovery. One main feature of tourism sector activity during the year was the mixed results as it relates to recouping pandemic-related losses, with some destinations benefitting from air arrivals at or above 2019 levels but, failing to attain similar success in sea arrivals and vice versa. Last year, while all tourism-dependent jurisdictions continued to work on revitalising tourism activity, a few took the opportunity to focus on resilience building and sustainable energy projects. Unsurprisingly, Guyana was the top performing economy among commodity-exporters and all Caribbean states, with double-digit growth in 2023. Contrarily, the performances of Suriname and Trinidad and Tobago remained subdued.

Anguilla

The tourism sector continued to perform well, with stay-over visitors rising by 0.6 percent above the levels of 2019. In 2023, the Caribbean was the only source market that did not return to the pre-pandemic level, remaining 19.7 percent below. Visitors from the US, the UK and Canada increased by 3.4 percent, 5.6 percent and 5.7 percent, respectively when compared to 2019. Looking at the fourth quarter performance, long-stay arrivals increased by 15 percent year-on-year (y-o-y) with the largest increase (41.9 percent) coming from the Canadian source market. Arrivals from the UK, Caribbean and the US increased by 5.3 percent y-o-y, 8.3 percent y-o-y and 15.1 percent y-o-y, respectively. The sector may receive a boost as a result of recent and emerging developments. In January, Cape Air announced plans to recommence its daily service between the Cyril E King International Airport in St. Thomas, US Virgin Islands (USVI) and Clayton J Lloyd International Airport in Anguilla on March 8, 2024. This could potentially boost inter-island travel between the USVI and Anguilla. Tourism officials in the Caribbean destination are also seeking to grow its sports tourism niche through golf. Travel for golf enthusiasts from the US is expected to be easier now with the relaunching of the service from the luxury airline, Tradewind Aviation (which commenced January 18, 2024), from San Juan as well as American Airlines' non-stop flights from Miami (which commenced on December 20, 2023).

Barbados

According to the IMF, Barbados' economy expanded by approximately 4.4 percent y-o-y in 2023 and 13.8 percent y-o-y in 2022 and the cumulative growth experienced over this two-year period resulted in the return of a number of jobs that were lost during the pandemic. In 2023, activity in the tourism industry continued to expand with long-stay arrivals increasing by 17.9 percent y-o-y. Of the main source markets, Canada registered the strongest growth (38.3 percent y-o-y) while long-stay visitors from both Europe and the US increased by 4.2 percent y-o-y and 19.1 percent y-o-y, respectively. The cruise sector registered a healthy 76.3 percent increase in passenger arrivals. However, it should be noted that Barbados' tourism sector hasn't fully recovered from the pandemic. According the Central Bank of Barbados (CBB) total arrivals in 2023 were 10.7 percent below the pre-pandemic level. Looking ahead, the island's tourism industry would likely benefit from the launch of InterCaribbean Airways nonstop flights between Bridgetown, Barbados and Kingston, Jamaica, which commenced on February 6, 2024. This new service will help to enhance the connection between the two popular Caribbean tourism destinations.

In December 2023, the country completed the second review under the IMF-supported Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements and as a result, Barbados was granted access to US$19 million under the EFF and US$57 million under the RSF. Moreover, improved financial regulation has augured well for the Caribbean jurisdiction, resulting in its removal from the Financial Action Task Force (FATF) gray list on February 23, 2024. In light of this, Barbados is no longer subject to increased monitoring from the FATF.

British Virgin Islands

Tourism activity was healthy in the British Virgin Islands (BVI) in 2023, as long-stay visitors grew by 50.9 percent y-o-y. The cruise sector registered a robust performance, given a 109.4 percent increase in cruise passengers from 343,571 in 2022 to 719,519 in 2023. However, the tourism sector's rebound from the COVID-19 pandemic was mixed, as long-stay arrivals in 2023 were 13.6 percent below the pre-pandemic level, while cruise ship passengers were 25.1 percent above the figure recorded in 2019. The outlook for the sector is bright. The government, alongside the British Virgin Islands Airports Authority, are taking steps to upgrade and expand the country's airport. After the tendering process in which eight bids were received, KPMG (BVI) Ltd. emerged as the preferred contractor to undertake the project. The project timelines will likely be announced after both parties formalise the agreement. With respect to the financial sector, the jurisdiction's commitment to international tax transparency and cooperation is bearing fruit, as the country was removed from the French blacklist of non-cooperative tax jurisdictions on March 5, 2024. Over the past few years, the BVI government worked to address the concerns raised by France and other international partners and has implemented a number of legislative and regulatory reforms, such as enhancing its tax information exchange framework. This should ease some of the pressures facing the sector.

Cayman Islands

In 2023, long-stay arrivals increased by 51 percent y-o-y, led by the 54.6 percent increase in arrivals from the US. However, the performances of the European and Canadian markets were also very encouraging, expanding by 20.9 percent and 43.9 percent, respectively. The cruise sector also performed admirably, with cruise passengers increasing by 70.1 percent y-o-y in 2023. Nevertheless, the Cayman Islands' tourism sector is yet to return to its pre-pandemic level. Stay-over visitors in 2023 were 14.6 percent below the figure recorded in 2019 and cruise ship passenger arrivals were 30.9 percent lower. The tourism sector received a boost late in the fourth quarter of 2023, when on December 10, 2023, Cayman Airways introduced an additional flight between Miami and the Cayman Islands. With the Department of Tourism (DoT) considering new routes to attract visitors from the US states of Kansas and Texas, a further fillip may not be too far away. With regard to the performance of the Cayman Islands' financial sector, there were 41 new international insurance licences issued in 2023, the largest figure for more than ten years. On another positive note, the nation was removed from the European Union's (EU's) list of high-risk countries with anti-money laundering, countering the financing of terrorism and counter proliferation financing (AML/CFT/CPF) deficiencies on February 7, 2024.

Cuba

Stop-over arrivals in 2023 increased by 51 percent to 2,436,980 from 1,613,894 in 2022. Of the main tourism source markets, Canada (75.9 percent), Mexico (100.4 percent) and Russia (239.8 percent) registered the largest increases. Despite the substantial growth in stay-over arrivals, the total was still 43 percent below 2019 levels. The sector got off to a positive start in 2024. In January, the total number of visitors stood at 258,898, which was 3.9 percent higher than the amount recorded in 2023. Nevertheless, it should be highlighted that total visitors for the first month of this year was still short of the figure (489,618) recorded in January 2019.

Many of the challenges that plagued the country in recent years are expected to linger, including supply shortages for fuel and basic goods and services such as water, electricity and transportation. In this context inflationary pressures are likely to remain acute. In early 2024, Cuban citizens bore witness to some of these price increases. On February 1, 2024, fuel prices shot up by 500 percent and electricity prices for major residential consumers went up by 25 percent. These price increases will place further hardships on the nation's already beleaguered inhabitants and could impede the government's drive in expanding the micro, small and medium-sized (MSME) business sector. Inflation ended 2023 at 34.3 percent.

Dominica

Although the tourism sector registered solid growth in 2023, arrivals were still below their pre-pandemic level. While long-stay arrivals increased by 12.2 percent in 2023 to 67,764, this number was 24.1 percent lower than the 89,264 visitors recorded in 2019. However, the cruise sector did manage to fully recover, welcoming 13.1 percent more passengers than in 2019. The long-term prospects of the sector are set to be considerably enhanced when Dominica's first International Airport, currently under construction, begins operations after its scheduled completion date in 2025. As a small island developing state (SID), Dominica continues to make strides in green initiatives and sustainable energy. Although the Climate Resilience Execution Agency for Dominica (CREAD) was officially closed on December 31, 2023, this initiative stood out as an example for the rest of the globe in resilience building. Regarding energy sector developments, the island made further progress in its efforts to construct a 10-kilowatt geothermal power plant. In the fourth quarter of 2023, government signed an agreement with Ormat Technologies Inc. (Ormat) to finance, build and operate the plant in Laudat. The Plant is expected to be commissioned by 2025. In the field of agriculture, Dominica's government received $750,000 from the People's Republic of China to enhance the sector. The funds will be used to purchase equipment such as, hydroponic cultivation systems, drip irrigation systems and seedling trays.

Grenada

Grenada's upbeat economic performance in 2023 was driven mainly by the tourism sector, with long-stay visitors rising by 33.7 percent over the previous year and 9.3 percent when compared to the pre-pandemic figure. Strong growth was also recorded in the number of cruise passengers, yacht passengers and cruise ship calls, even as activity in those sub-sectors remained below 2019 levels. Looking at the fourth quarter performance, total long-stay visitors increased by 16.8 percent y-o-y, with growth in all major source markets. In more positive developments the Silversands Beach House 5-star resort commenced operations on February 1, 2024, adding another 28 rooms to the island's room stock. The country's room capacity is set to grow further with the 56-room Six Senses La Sagesse resort scheduled to open in

May 2024. Moreover, the island could welcome more visitors from Canada in 2024 with the launch of year-round services by Air Canada between Toronto's Pearson International Airport and Maurice Bishop International Airport in Grenada from April 2024. Air Canada returns to the route after a four-year hiatus. Like some other regional states, Grenada is working to improve its resilience to climate change. Funding from the United Kingdom Caribbean Infrastructure Fund (UKCIF) in the amount of US$20.7 million will go towards the improvement of the water supply in the southern region of the country. This initiative will seek to reduce water service disruptions and bolster the public health services in the area.

Guyana

According to the Budget 2024 figures, the country recorded real GDP growth of 33 percent in 2023, with stronger-than-expected economic activity in the non-oil sector. However, the performance was largely due to continued growth in the oil and gas sector, which expanded by 45.9 percent in 2023. Oil production increased by 41 percent from 101.4 million barrels of oil in 2022 to 142.9 million barrels of oil in 2023. This was mainly attributed to increased production from the Liza Destiny and Unity floating, production, storage and offloading (FPSO) vessels, as well as first oil from the Prosperity FPSO in November 2023. The outlook for the sector became even brighter when ExxonMobil Corp. announced yet another discovery in March 2024, in the Bluefin well, which is located in the Stabroek offshore block. In the non-oil sector, the services and construction industries grew by 10.3 percent and 26.8 percent, respectively. Activity in the agriculture sector was also positive with the sugar industry expanding by 28 percent and rice output rising by 7.1 percent.

Government delivered its 2024 budget on January 15, 2024. The budget caters for a 46.6 percent increase in spending, with plans for it to be partially funded by oil revenues from the National Resource Fund (NRF).

The tensions between Guyana and Venezuela over the Essequibo region cooled slightly following the signing of the Argyle declaration in December 2023. However, this dispute is unlikely to be resolved any time soon, given its long history, the strong emotions on both sides and the International Court of Justice's expected lengthy adjudication process.

Sint Maarten

Although long-stay arrivals are back up to the pre-pandemic level, the number of cruise ship passengers is not. In 2023, the destination welcomed 395,053 stop-over visitors, which was 6 percent higher than the 372,808 recorded in 2022 and 23.6 percent more than the 319,696 in 2019. Surprisingly, the largest increase in long-stay visitors came from the Brazilian source market, which grew by 74.4 percent. The other source markets with rapid growth were Canada and Trinidad and Tobago which expanded by 36.3 percent and 50.9 percent, respectively. With regard to the performance of the cruise sector, Sint Maarten welcomed 1,318,177 cruise passengers to its shores in 2023, 56.2 percent more than the 844,090 cruise passengers in 2022 but down 19.2 percent from 2019.

Although the incumbent centre-left National Alliance (NA) won the most legislative seats (four) in the January 11, 2024, general election, it was not able to obtain sufficient support from other parties to form the government. Instead, on February 11, the Unified Resilient St. Maarten Movement (URSM), the Democratic Party (DP), the Party for Progress (PFP) and the National Opportunity Wealth (NOW) parties, which each won 2 seats, formed a coalition government, led by Luc Mercelina of the URSM. While the parties' ability to form a government in a relatively short period, would go a long way to ease political uncertainty, the instability historically associated with coalition governments may raise concerns regarding the new administration's ability to successfully complete its term in office.

St. Kitts and Nevis

According to the IMF, the St. Kitts and Nevis (SKN) economy slowed in 2023, as it recorded real GDP growth of 3.4 percent compared to 8.8 percent in 2022. While long-stay arrivals and cruise ship arrivals were 13.1 percent and 26.5 percent, respectively below 2019 levels, tourism activity was up significantly over the levels of 2022. Compared to 2022, long-stay visitors and cruise ship passengers increased by 31 percent and 61 percent, respectively. The domestic economy continued to benefit from the resources provided by the country's Citizenship by Investment (CBI) programme which played a major role in helping the government to record a fiscal surplus of 1 percent in 2023. As a result of the Nation's efforts to enhance the programme's governance, transparency and accountability over the years, St. Kitts and Nevis topped eleven other countries and was crowned the best CBI destination in the 2023 edition of the CBI Index. St. Kitts and Nevis is also seeking to invest significantly in the sustainable energy with plans to establish the largest solar photovoltaic (PV) and battery energy storage project in the Caribbean by 2030. Additionally, the country is seeking to construct a geothermal plant as it seeks to reduce its carbon footprint and its energy imports.

St. Lucia

In 2023, St. Lucia's tourism sector continued to provide the bulk of the impetus for economic activity, with long-stay arrivals increasing by 6.9 percent. Even though the US source market contributed the highest percentage of arrivals (54 percent), the fastest growth came from the Caribbean (49 percent) and Canada (73 percent). Despite a 4 percent contraction in cruise ship calls, cruise passengers grew by 75.7 percent. However, like many other Caribbean destinations, St. Lucia's tourism sector did not fully recover from the pandemic, as stop-over visitors and cruise passengers were below the pre-pandemic level by 10.1 percent and 21.8 percent, respectively. The sector is expected to benefit from increased airlift during the summer with the launch of JetBlue's twice-daily flights between John F. Kennedy International Airport and Hewanorra International Airport from June 13th to July 23rd. As the country moves to enhance its appeal as a tourism destination, investments are being made in indigenous, community-based tourism projects. In March 2024, St. Lucia's government signed a funding agreement with the CARICOM Development Fund (CDF) to support a number of community-based tourism projects in Micoud, Castries and Dennery. The CDF will allocate $6.32 million to these projects which will be used to promote the country's rich cultural heritage. Encouragingly, St. Lucia continues to look after the individuals that have found it difficult to recover from the financial impact of the COVID-19 pandemic. On December 23, 2023, more than $450,000 was paid out to more than 300 households with a one-time payment of $1,500 per person. These payments were made to workers in the informal sector who lost their jobs and fell out of the labour market because of the COVID-19 pandemic.

St. Vincent and the Grenadines

For St. Vincent and the Grenadines (SVG), a similar story unfolds as the tourism industry's recovery from the COVID-19 pandemic is still incomplete. Long-stay arrivals in 2023 fell short of 2019 levels by 8.4 percent, while the number of cruise ship calls and yacht passengers were below the pre-pandemic level by 11.2 percent and 18.5 percent, respectively. Nonetheless, SVG's tourism sector is moving in the right direction. In 2023, long-stay visitors increased by 34.9 percent, which was largely due to the Canadian and Caribbean source markets, which grew by 68.1 percent and 72 percent, respectively. Although the US market contributed the highest proportion (38.2 percent) of total stop-over visitors, its growth was comparatively tame at 24.5 percent when compared to 2022. With regard to the performance of sea arrivals, the number of cruise ship calls, yacht passengers and cruise ship passengers increased by 40.9 percent, 43.7 percent and 128.8 percent, respectively. Both the government and the Tourism Authority continue their efforts to enhance the viability of the industry, with the former announcing in January that JetBlue and a yet-to-be-named airline will add the destination to their regional service in 2024. Also, during the nation's Budget 2024 address on January 8, 2024, it was announced that the Tourism Authority's subvention will be increased by 533 percent, to $19 million from $3 million in fiscal 2023. This allocation will be used to drive marketing strategies, as well as engage and collaborate with airlines to further promote the country as a top Caribbean tourist destination. Some of these promotion efforts will also engage top hotel chains such as Sandals Resorts and Marriott International.

Suriname

According to the IMF, real GDP expanded by 2.1 percent in 2023. Inflation trended down after reaching a high of 65.4 percent in April 2023 to 32.6 percent in December 2023 but remains a cause for concern. During the year, international reserves increased by 12.7 percent, from the end of December 2022 to reach US$1,346.1 million at the end of December 2023. Suriname's long-term economic prospects have been enhanced by recent oil finds, the resultant interest of several energy firms to conduct further exploration activity in the jurisdiction and moves to develop and market recently discovered reserves. State-owned oil company Staatsolie has partnered with oil majors, ExxonMobil and TotalEnergies, to jointly develop natural gas fields, which are located between Suriname's and Guyana's maritime borders. It was revealed that two of Exxon's discoveries in Guyana, are in close proximity to two Suriname fields (Maka and Kwaskwasi), where TotalEnergies and APA Corp discovered natural gas. In addition, Brazil's Petronas is looking to pursue a liquefied natural gas (LNG) project using Suriname's gas, with the company already securing an agreement with Staatsolie. With respect to the country's fiscal management, Suriname has made steady progress under its economic reform programme, which is supported by the IMF's EFF arrangement. Upon completion of its fifth review on March 7, 2024, Suriname will have access to US$62.5 million to further fuel its economic reform agenda. The South American jurisdiction met all quantitative performance criteria except for the programme's target for spending on social assistance.

On another positive note, Suriname is on a path to strengthen its international relations. On January 23, 2024, Curacao and Suriname signed a Letter of Intent (LOI) to collaborate to promote their economic development through greater investments and increased trade in sectors such as tourism and food security. Furthermore, the nation is seeking to improve bilateral trade with India and foster economic cooperation in the fields of health (including ayurveda), agriculture, renewable energy, digital technologies, education and tourism. Ghana and Suriname are also working to boost their trade ties and this relationship will most likely be centered on developing strategies to fuel economic expansion.

Region

Jamaica recorded real GDP growth of 4.7 percent in 2023 mainly due to a robust 16 percent increase in visitor arrivals. Arrivals were also 7.5 percent above the pre-pandemic figure. Although, the country experienced a high level of cancellations earlier this year, due to a negative travel advisory issued by the US, its tourism sector managed to start the year on a relatively high note. In the first two months of 2024, the Caribbean island welcomed one million visitors, with 611,642 of them being stopover arrivals. Cruise passengers also rose by 29.7 percent compared to the similar period in 2023.

The Bahamas faced a similar situation, as it too was the subject of a travel advisory from the US government to its citizens in January 2024. The advisory warned US citizens, desirous of visiting the Bahamas, about the escalating crime situation in the destination. This negative travel advisory is not expected to be a major impediment to the continued growth of the tourism sector, which had a record-breaking 9.65 million arrivals in 2023. However, growing fears regarding tourists safety may eventually begin to manifest in slower growth rates. The 2023 performance represented a 38 percent increase compared to 2022 and surpassed the pre-pandemic figure by 33 percent. The cruise sector also registered a stellar performance as it welcomed 43.5 percent more cruise ship passengers in 2023 compared to 2022.

In an unfortunate turn of events, the security crisis in Haiti has deteriorated markedly in recent weeks, with coordinated gang attacks in the capital city Port-au-Prince beginning on February 29, 2024. Gangs (led by Jimmy Chérizier) are now working in concert and have threatened to start a civil war unless new leadership is elected. Haiti's interim leader, Ariel Henry, has since announced his resignation on March 11, 2024. The unrelenting gang violence is placing further strains on already distressed citizens, as the main port in the capital was recently closed, thus leaving scores of containers stranded. More than 11 million inhabitants are facing critical shortages as it relates to food, medical supplies and other basic amenities. Even though upscale areas in the city have well stocked groceries, these goods are not affordable for the majority of citizens who are living way below the poverty line.

Outlook

This year, the region's economy could register a complete recovery in tourism activity. There are signs that many tourism-dependent economies within the region are ramping up their efforts to collaborate with international airlines, which could boost air arrivals. Also, in light of the ongoing conflict in Ukraine, travellers from North America and Latin America may opt for closer destinations, like the Caribbean. However, weaker-than-expected global growth provides a downside risk for the regional tourism industry. Advanced economies are expected to record slower growth in 2024, and thus, tourist arrivals from some major source markets in North America and Europe could increase at a slower-than-expected rate. Guyana will continue to be the top performing economy in the region as it is expected to register another year of very strong growth.

For the entire Caribbean, global shipping disruptions in 2024, may lead to higher inflation and possible shortages in some food commodities. The contributing factors to the global shipping disruptions are the diversion of shipping routes from the Suez Canal due to conflict and low water levels in the Panama Canal, which are restricting ship traffic. Given that the Caribbean is heavily import-dependent, these potential shipping disruptions could lead to higher import costs and hence, a reduction in consumer demand.

The fruit of seeds long sown

HAITI

The travails of the first Black Republic

Part 1

In the 15th century, the island that now includes Haiti and the Dominican Republic was inhabited by Arawak and other indigenous peoples, with the Taino and Ciboney among the more prominent Arawak groups. The Taino called the island Ayiti, but the eastern part of the island was called Quisqueya.

Italian navigator Christopher Columbus sighted the island on December 6, 1492, and named it La Isla Española ("The Spanish Island"), later Anglicised as Hispaniola. Over the next few decades the Spanish enslaved huge numbers of Taino and Ciboney to mine for gold. European diseases and brutal working conditions devastated the indigenous population, and by the end of the 16th century the group had virtually vanished. Thousands of enslaved people imported from other Caribbean islands met the same fate. Many Spaniards left Hispaniola after the main gold mines were exhausted.

Having previously occupied the islands west of Hispaniola, the French founded a port and the French West Indies Corporation took control of the area. Landowners in western Hispaniola imported increasing numbers of enslaved Africans, which totalled about 5,000 in the late 17th century.

The Treaty of Rijswijk (1697) formally ceded the western third of Hispaniola from Spain to France, which renamed it Saint-Domingue. The colony's population and economic output grew rapidly during the 18th century, and it became France's most prosperous New World possession, exporting sugar and smaller amounts of coffee, cacao, indigo, and cotton. By the 1780s nearly two-thirds of France's foreign investments were based on Saint-Domingue.

The development of plantation agriculture profoundly affected the island's ecology. Enslaved Africans toiled ceaselessly to clear forests for sugar fields, and massive erosion ensued, particularly on the steep marginal slopes that had been allocated to enslaved people for their subsistence crops. Soil productivity declined markedly in many areas, and formerly bountiful streams dried up.

In 1789 Saint-Domingue had an estimated population of 556,000, including roughly 500,000 enslaved Africans, 32,000 European colonists, and 24,000 *affranchis* (free mulattoes [people of mixed African and European descent] or Blacks). Haitian society was deeply fragmented by skin colour, class, and gender. The "white" population comprised *grands blancs* (elite merchants and landowners, often of royal lineage), *petits blancs* (overseers, craftsmen, and the like), and *blancs menants* (laborers and small farmers). The *affranchis*, who were mostly mulattoes, were sometimes enslavers themselves. They aspired to the economic and social levels of the Europeans, and they feared and spurned the enslaved majority; however, the colonists generally discriminated against them, and the aspirations of the *affranchis* became a major factor in the colony's struggle for independence. The enslaved population, most of whom were bosal (African-born), were a mixture of West African ethnic groups. Some enslaved people managed to escape into the mountainous interior, where they became known as Maroons and fought guerrilla battles against colonial militia.

The Haitian Revolution was actually a series of conflicts during the period 1791–1804 that involved shifting alliances of enslaved Haitians, *affranchis*, mulattoes, and colonists, as well as British and French army troops. Several factors precipitated the event, including the *affranchis*' frustrations with a racist society, the French Revolution, nationalistic rhetoric expressed during Vodou ceremonies, the continuing brutality of enslavers, and wars between European powers.

Vincent Ogé, a mulatto led an uprising in late 1790 but was captured, tortured, and executed. In May 1791 the French revolutionary government granted citizenship to the wealthier *affranchis*, but Haiti's European population refused to comply with the law. Within two months, isolated fighting broke out between Europeans and *affranchis*, and in August thousands of enslaved people rose in rebellion. The Europeans attempted to appease the mulattoes in order to quell the slave revolt, and the French assembly granted citizenship to all *affranchis* in April 1792.

In 1793 Léger Félicité Sonthonax, who was sent from France to maintain order, offered freedom to enslaved people who joined his army; he soon abolished slavery altogether, and the following year the French government confirmed his decision. Spain ceded the rest of the island to France in the Treaty of Basel (1795), but war in Europe precluded the actual transfer of possession.

In the late 1790s Toussaint L'Ouverture, a military leader and formerly enslaved person, gained control of several areas and earned the initial support of French agents. He gave nominal allegiance to France while pursuing his own political and military designs, which included negotiating with the British, and in May 1801 he had himself named "governor-general for life." Napoléon Bonaparte wishing to maintain control of the island, attempted to restore the old regime by sending an experienced force that included several exiled mulatto officers. Toussaint struggled for several months against the forces before agreeing to a truce in May 1802; however, the French broke the agreement and imprisoned him in France. He died on April 7, 1803.

Jean-Jacques Dessalines and Henry Christophe led a Black army against the French in 1802, following evidence that Napoleon intended to restore slavery in Saint-Domingue as he had done in other French possessions. They defeated the French, who withdrew from the western side but maintained a presence in the eastern part of the island until 1809.

On January 1, 1804, the entire island was declared independent under the Arawak-derived name of Haiti.

With many plantations and towns devastated by the war, Haiti was plagued with civil unrest, economic uncertainties, and a lack of skilled planners, craftsmen, and administrators. As a nation of freed black slaves, Haiti was a threat to the existing world order. Many European powers and their Caribbean surrogates ostracised Haiti. While the previous president was more accommodating and the citizens' reaction was mixed, under President Thomas Jefferson the United States had cut off aid to L'Ouverture and instead pursued a policy to isolate Haiti, fearing that the Haitian revolution would spread to the United States. Jefferson refused to recognise Haitian independence.

When Dessalines was killed in 1806 while trying to suppress a mulatto revolt, Henry Christophe took control of Haiti from his capital in the north. Civil war then broke out between Christophe and Alexandre Sabès Pétion, who was based at Port-au-Prince in the south. As the civil war raged, the Spanish, with British help, restored their rule in Santo Domingo in 1809. Christophe managed to improve the country's economy but at the cost of forcing formerly enslaved people to return to work on the plantations. However, in 1820, with mutinous soldiers almost at his door, he committed suicide.

Jean-Pierre Boyer, became president of the entire country after Christophe's death. In 1822 he invaded and conquered Santo Domingo, which had declared itself independent from Spain the previous year and was then engaged in fighting the Spaniards. Boyer abolished slavery there, but the Haitians monopolised government power and confiscated church property, foodstuffs, and other supplies.

On July 3, 1825, under orders from Charles X, the newly installed king of France, a French warship, accompanied by two other ships, sailed into the port of Port-au-Prince, with 11 more warships waiting in the wings. Haiti's president was told by the king's emissary that in exchange for 150 million francs, and an enormous reduction in custom taxes on French goods, France would recognise Haiti's independence and not launch military operations. Unable to count on support from other countries and with no viable alternatives, the Haitian leader acceded to the demand.

The amount was far beyond Haiti's meagre means. Even the first installment was about six times the government's income that year, based on official receipts documented by the 19th century Haitian historian Beaubrun Ardouin. But that was the point, and part of the plan. The emissary had a second mission: to ensure the former colony took a loan from young French banks to make the payments. So, he brought three Haitian diplomats with him back to France. There, they sealed a 30-million-franc loan. But after the group of bankers, took its commissions, Haiti got only 24 million francs. Instead of 150 million, Haiti suddenly owed 156 million, plus interest. This became known as Haiti's "double debt" , the ransom and the loan to pay it, a stunning load that boosted the fledgling Parisian international banking system and helped cement Haiti's path into poverty and underdevelopment. According to Ardouin's records, the bankers' commissions alone exceeded the Haitian government's total revenues that year.

The Haitian government ran out of money right away. To finish its first payment, it emptied its state coffers, sending it all to France on a French ship. That left no money for public services. The French government threatened war to collect the rest. "An army of 500,000 men is ready to fight," wrote the French foreign minister in 1831 to his consul in Haiti, "and behind this imposing force, a reserve of two million."

In response, President Boyer passed a law commanding every Haitian to be ready to defend the country. Even French diplomats recognised their government's threats had prompted the Haitian government to pour money into its military, rather than send it to France. "The fear of France, which naturally wants to be paid, does not allow it to reduce its military state," reads an 1832 letter by one French diplomat.

In late 1837, two French envoys arrived in Port-au-Prince with orders to negotiate a new treaty and get the payments flowing again. The so-called independence debt was reduced to 90 million francs, and in 1838, another warship returned to France with Haiti's second payment, which swallowed much of Haiti's revenues once again.

Jean-Pierre Boyer was overthrown in 1843. Between then and 1915 a succession of 20 rulers followed, 16 of whom were overthrown by revolution or were assassinated.

In 1844 the ruling Haitians were expelled from Santo Domingo by a popular uprising. The occupation created a tradition of distrust between the two countries, and subsequent generations of Dominicans regarded the period as marked by cruelty and barbarism.

Throughout the 19th century a huge gulf developed between the small urban elite, who were mostly light-skinned and French-speaking, and the vast majority of Black, Creole-speaking people in rural areas. Social services and communications were almost nonexistent in the countryside, while Port-au-Prince was the centre of culture, business, and political intrigue.

The United States recognised Haiti in 1862 after the secession of the Southern slave states.

By 1874, Haiti had paid down all but 12 million francs of its double debt to France, in large part through coffee taxes. To finish off the rest and finally invest in the country's development the government took out two more hefty loans from French bankers. The borrowing ended up being a "shameless waste," the president of Haiti's national assembly said after a parliamentary investigation. In an 1875 loan, the French bankers and investors took a 40 percent cut off the top. Most of the rest went to paying other debts, while the remainder lined the pockets of corrupt Haitian officials who, historians say, enriched themselves at the expense of their country's future.

The bank that benefited most from the 1875 loan was Crédit Industriel et Commercial, the French institution that helped finance the Eiffel Tower. Soon after its first lucrative foray into Haiti, Crédit Industriel shaped the country yet again, helping to establish the National Bank of Haiti. Nearly the only thing Haitian about it was the name. Headquartered in Paris, controlled by French businessmen and aristocrats, the bank took over Haiti's treasury operations, charged a commission any time the Haitian government so much as deposited money or paid a bill, and delivered the profits to its shareholders in France. In 1894, a banner year, its French investors earned more than the Haitian government's proposed agriculture budget for the entire country.

Though Haiti's government made the last payments connected to its former slaveholders in 1888, the debt was far from settled: To finish paying it off, Haiti borrowed from other foreign lenders who, in league with a few self-serving Haitian officials indifferent to their people's suffering, laid claim to a significant share of the nation's income for decades to come.

An investigative report by the New York Times determined that Haiti paid about $560 million in today's (2022) dollars. However, the loss was much greater. If that money had simply stayed in the Haitian economy and grown at the nation's actual pace over the last two centuries it would have added a staggering $21 billion to Haiti over time, even accounting for its notorious corruption and waste. For perspective, that's much bigger than Haiti's entire economy was in 2020.

The reason is simple: Had the money not been handed over to Haiti's former slaveholders, it would have been spent in the Haitian economy, by the coffee farmers, laundresses, masons and others who earned it. It would have gone to shops, school fees or medical bills. It would have helped businesses grow or seeded new ones. Some of the money would have gone to the government, possibly even to build bridges, sewers and water pipes.

Several others said that without the burden of the double debt, Haiti might have grown at the same rate as its neighbours across Latin America. "There is no reason why a Haiti free of the French burden could not have," said the financial historian Victor Bulmer-Thomas. André A. Hofman, an expert on Latin America's economic development, also called this scenario "very reasonable." In that case, the loss to Haiti is about $115 billion over time, or eight times the size of its economy in 2020.

In the 1890s the United States attempted to gain additional military and commercial privileges in Haiti. In 1905 it took control of Haiti's customs operations, and, prior to World War I, American business interests gained a secure financial foothold and valuable concessions in the country.

Depleted after decades of paying France, Haiti took out even more loans thereafter. By 1911, $2.53 out of every $3 Haiti took in from coffee taxes, its most important source of revenue, went to paying debts held by French investors, according to Gusti-Klara Gaillard and Alain Turnier, Haitian historians whose accounts are consistent with ledgers found in the diplomatic archives in suburban Paris. That left precious little to run a country, much less build one. From 1825 to 1957, the analysis by The Times found, international debt drained an average of 19 percent of the country's annual revenue, and in some years ate up more than 40 percent. "It's a really massive number by modern standards," said Ugo Panizza, an Italian economist who has examined the double debt.

Moreover, loans are often taken on by countries to invest in their welfare and development. That was rarely the case in Haiti. The double debt was imposed by an outside power that provided no goods or services in return, sapping the new nation's wealth from the beginning. "The first economic impact of this drain was the absence of funds to invest in education, health and infrastructure," said Thomas Piketty, a French economist who has also studied the double debt. "But even more decisively, in the long term, this drain has totally disrupted the process of state building."

Not everyone agrees. In some periods, the biggest line item in the Haitian state's budget, even bigger than its debt payments, was the military. Some experts described the expense as understandable, given the Haitian fear of a French invasion and the American occupation decades later. But others see Haiti's heavy military spending as a reflection of a predatory government more interested in reaping financial rewards and staying in power than helping its people. "There was always the alternative: Spend less on the military, spend more on development," said Mats Lundahl, a Swedish economist who has published several books on Haiti. "This was a deliberate choice." The double debt imposed by France clearly had an impact, Mr. Lundahl said, but "I don't think it's the main reason for Haitian underdevelopment." Haiti's leaders, he said, "did a pretty good job themselves."

As chronicled in the US Department of State's Office of the Historian, the United States Government's interests in Haiti existed for decades prior to its occupation. As a potential naval base for the United States, Haiti's stability concerned U.S.

diplomatic and defense officials who feared Haitian instability might result in foreign rule of Haiti. In 1868, President Andrew Johnson suggested the annexation of the island of Hispaniola, consisting of Haiti and the Dominican Republic, to secure a U.S. defensive and economic stake in the West Indies. From 1889 to 1891, Secretary of State James Blaine unsuccessfully sought a lease of Mole-Saint Nicolas, a city on Haiti's northern coast strategically located for a naval base. In 1910, President William Howard Taft granted Haiti a large loan in hopes that Haiti could pay off its international debt, thus lessening foreign influence. The attempt failed due to the enormity of the debt and the internal instability of the country.

Although unhappy about the Haitians' close connection to France, the United States became increasingly concerned with heightened German activity and influence in Haiti. At the start of the 20th century, German presence increased with German merchants establishing trading branches in Haiti that dominated commercial business in the area. German men married Haitian women to get around laws denying foreigners land ownership and established roots in the community. The United States considered Germany its chief rival in the Caribbean and feared German control of Haiti would give them a powerful advantage in the region.

As a result of increased instability in Haiti in the years before 1915, the United States heightened its activity to deter foreign influence. Between 1911 and 1915, seven presidents were assassinated or overthrown in Haiti, increasing U.S. policymakers' fear of foreign intervention. In 1914, the Wilson administration sent U.S. Marines into Haiti. They removed $500,000 from the Haitian National Bank in December of 1914 for safe-keeping in New York, thus giving the United States control of the bank. In 1915, Haitian President Jean Vilbrun Guillaume Sam was assassinated and the situation in Haiti quickly became unstable. In response, President Wilson sent the U.S. Marines to Haiti to prevent anarchy. In actuality, the act protected U.S. assets in the area and prevented a possible German invasion.

The invasion ended with the Haitian-American Treaty of 1915. The articles of this agreement created the Haitian Gendarmerie, essentially a military force made up of U.S. citizens and Haitians and controlled by the U.S. Marines. The United States gained complete control over Haitian finances, and the right to intervene in Haiti whenever the U.S. Government deemed necessary. One report indicates that in some years, more of Haiti's budget went to paying the salaries and expenses of the American officials who controlled its finances than to providing health care to the entire nation of around two million people.

The U.S. Government also forced the election of a new pro-American President, Philippe Sudré Dartiguenave, by the Haitian legislature in August 1915. The selection of a President that did not represent the choice of the Haitian populace increased unrest in Haiti. Following the successful manipulation of the 1915 elections, the Wilson administration attempted to strong-arm the Haitian legislature into adopting a new constitution in 1917. This constitution allowed foreign land ownership, which had been outlawed since the Haitian Revolution as a way to prevent foreign control of the country. Extremely reluctant to change the long-standing law, the legislature rejected the new constitution. Law-makers began drafting a new anti-American constitution, but the United States forced President Dartiguenave to dissolve the legislature, which did not meet again until 1929.

Some of the Gendarmerie's more unpopular policies, including racial segregation, press censorship and forced labour, led to a peasant rebellion from 1919 to 1920. The U.S. Senate sent an investigative committee into Haiti in 1921 to examine claims of abuse, and subsequently the U.S. Senate reorganised and centralised power in Haiti. One effect of the Marine's occupation was the nominal reestablishment of the mulatto elite's control of the government. Black Haitians, in contrast, felt that they were excluded from public office and subjected to racist indignities at the hands of the Marines. After the reorganisation, Haiti remained fairly stable and a select group achieved economic prosperity, though most Haitians remained in poverty

As stated in The Ransom, the New York Times' investigative report, there was another hand behind the occupation as well: Wall Street, in particular the National City Bank of New York, the predecessor of Citigroup. By 1922, its affiliate had bought all the shares in Haiti's national bank and, with a guarantee from the American government that it would be repaid, won the chance to lend still more money to Haiti. The bank ended up controlling nearly all of Haiti's foreign debt and then followed a well-established pattern. It did little to develop Haiti, while sucking up a quarter of the country's revenues over the next decade, according to annual fiscal reports reviewed by The Times.

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Look out for the second and final part of Haiti's story in the next issue of this newsletter.