

Republic Economic

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Positives Amid the Challenges

OVERVIEW

Despite ongoing pandemic-related challenges, Trinidad and Tobago was able to retain its investment grade credit rating. On July 27th, 2021, Standard and Poor's (S&P) affirmed the twin-island's BBB- rating but revised its outlook from stable to negative due to the uncertainty associated with COVID-19. From mid-April, the country experienced a spike in coronavirus cases, which peaked on May 26th, 2021, with a 7-day rolling average of 542 new confirmed cases. The government-declared State of Emergency (SOE), which commenced on May 15th, negatively affected business activity for the second quarter. This is reflected in the large number of applications (24,000) received for Salary Relief

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

Indicator	2020	2020.2	2021.2 p/e
Real GDP (% change)	-7.8	-15.4	-5.5
Retail prices (% change)	0.6	0.63	1.43
Unemployment Rate (%)	NA	5.1	NA
Fiscal Surplus/Deficit (\$M)	-16,772.0	-5,284.4	-3,269.1
Bank Deposits (% change)	7.85	2.32	0.60
Private Sector Bank Credit (% change)	0.45	-1.16	-0.59
Net Foreign Reserves (US\$M)	10,308.1	10,379.3	10,318.2
Exchange Rate (TT\$/US\$)	6.72/6.78	6.72/6.78	6.73/6.78
Stock Market Comp. Price Index	1,323.1	1,310.6	1,402.6
Oil Price (WTI) (US\$ per barrel)	39.17	27.96	66.19
Gas Price (Henry Hub) (US\$ per mmbtu)	2.03	1.71	2.94

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

Grants, with the bulk of those seeking assistance, coming from the services and retail sub-sectors. Additionally, as at August 16th, 2021, two hundred and seventy companies had successfully applied for SME loans, the large percentage of which came from the services sector. Turning to the energy sector, the increase in oil production was likely offset by the decline in natural gas output, despite higher prices. Given the foregoing, Republic Bank Ltd estimates that the domestic economy contracted by -5.5 percent in the second quarter, compared to the first.

ENERGY SECTOR

Global energy prices improved in the second quarter of 2021. The average West Texas Intermediate (WTI) oil price increased by 137 percent to US\$66.19 per barrel (p/b), compared to US\$27.96 p/b in the similar quarter of the previous year. Average Henry Hub natural gas prices also went up, from US\$1.71 per million British thermal units (mmbtu) to US\$2.94 per mmbtu. While oil production increased by 7.3 percent (year-on-year) for the April-May period, natural gas output went in the opposite direction, as it declined by 23 percent.

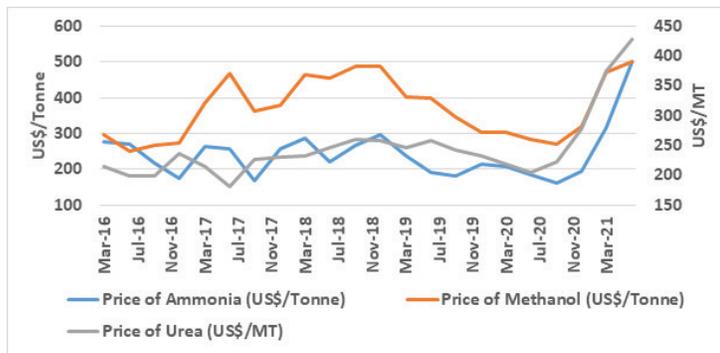
The petrochemical industry also benefitted from more favourable prices (Figure 1) but the decline in natural gas output negatively impacted liquified natural gas (LNG) production, as it contracted by 45 percent (year-on-year) for the period April-May 2021. The 1.1 million cubic metres produced in May was an 18-year low for this country's monthly LNG output. This was mainly due to the shutdown of Atlantic LNG's Train 1. Train 1 remains closed as it has not been successful in securing a new gas supply contract following the end of the previous contract in December 2020.

With regard to drilling and exploration activity, there were some promising signs. Rig days increased from 24 in the April-May period for 2020 to 191 for the similar period in 2021. For the abovementioned periods, total depth drilled also increased from 3,040 feet (ft.) to 36,484 ft. Notwithstanding the challenges in the domestic hydrocarbon sector, the revelation of a 1 trillion cubic feet offshore natural gas find by bpTT and EOG in late August, suggests that the country is still

a viable energy province. Energy giant bpTT, indicated that it will make a final decision regarding the development of this well by the final quarter of this year. Also, the latest extended flow test revealed that the Cascadura Deep-1 has great potential. During the test period, the well achieved a peak production rate of approximately 90 percent of natural gas flowing at 1,917 pounds per square inch (psi). James Shipka, the Chief Operating Officer for Touchstone Exploration, also noted that the well testing results reinforced the geological concept of multiple stacked, independent hydrocarbon horizons in the Herrera turbidite fairway. The field analysis also revealed that the well contains liquid rich natural gas with no hydrogen sulfide content. There are other projects under the control of bpTT, Shell and BHP with commercial potential that are awaiting a final investment decision (FID).

In mid-August, Australian energy companies Woodside Petroleum Ltd and BHP Group announced an agreement to merge their operations. Under the arrangement, new shares will need to be issued to BHP shareholders. This announcement created some uncertainty regarding the future of BHP's operations in Trinidad and Tobago. However, the Ministry of Energy and Energy Industries (MEEI) has since indicated that the merger will not interfere with BHP's oil and gas investments in Trinidad and Tobago. The merger is subject to regulatory approval and is not expected to be finalised before 2022.

Figure 1: Petrochemical Prices (Urea, Methanol and Ammonia)



Source: CBTT

NON-ENERGY SECTOR

In the second quarter of 2021, the SOE placed substantial pressure on non-energy sector activity. The pause of construction activity resulted in a 41 percent (year-on-year) decline in local cement sales. On the contrary, the sale of new motor vehicles improved by 39 percent y-o-y in the second quarter of 2021. However, this outturn is not reflective of any meaningful uptick in demand, but rather, a historically low level of vehicle sales in the second quarter of 2020 due to lockdown measures. Given these distortions, new motor vehicle sales were not a good gauge for distribution sector activity, since a number of distribution sub-sectors were closed as a result of the restrictions in place at the time. Although Retail Sales Index (RSI) data is currently not available for the second quarter of this year, anecdotal

evidence suggests that wholesale and retail activity suffered due to the restrictions implemented. Manufacturing sector activity would have also registered a significant decline.

FISCAL POLICY

Revised estimates for fiscal year 2020/2021 revealed that the central government is expected to record an overall deficit of \$13.7 billion (9.2 percent of GDP) which is lower than the deficit recorded in the previous fiscal (\$16.8 billion). Total Revenue and Grants are projected to be \$3 billion higher than the previous fiscal at \$37.1 billion while Total Expenditure is forecasted to remain unchanged at \$50.8 billion. The uptick in Total Revenue came mainly from the 9.3 percent increase in Taxes on Income and Profits in Total Revenue, which was largely attributed to increased collections from oil companies (\$1 billion). Increases in income from Taxes on Goods and Services (18.2 percent) and Taxes on International Trade (3.1 percent) also contributed to higher Total Revenue in fiscal 2021. Since the onset of the pandemic in early 2020, Trinidad and Tobago, like other governments across the globe, had little choice but to provide fiscal support to both citizens and businesses. On August 16th, 2021, the Ministry of Finance announced a revision of its SME Stimulus Loan Facility in an attempt to facilitate those small businesses that previously did not qualify for the programme, although they were negatively impacted by virus-related lockdown measures. Since the inception of the programme in mid-2020, 47 percent of small businesses that applied for the funding did not meet the statutory requirements for these loans. With regard to the Salary Relief Grant, approximately 6,560 eligible applicants for the May to July period benefitted from this aid, costing the government around \$12 million.

MONETARY POLICY

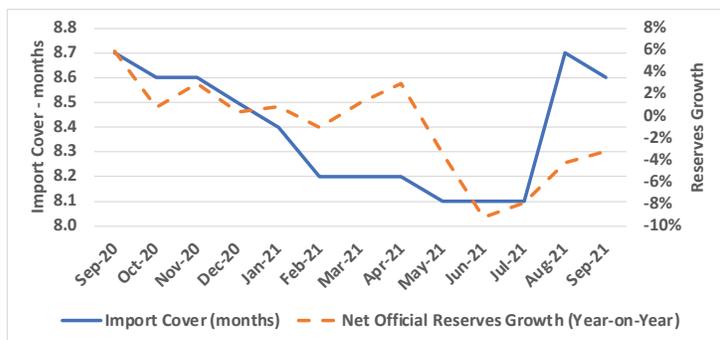
The Central Bank's Monetary Policy Committee (MPC) maintained the repo rate at 3.5 percent in its June 2021 monetary policy announcement. This decision was based on the continued weak performance of the domestic economy and interest rate trends in other parts of the globe. Some central banks in other countries are signalling that they may increase interest rates in the near future in an attempt to curb rising inflation. However, interest differentials between the US and Trinidad and Tobago treasury securities remain positive. Although the inflation rate increased from 0.4 percent in July 2020 to 2.2 percent in July 2021, it remained well within manageable levels. Impelled by pandemic-induced challenges and increased shipping costs, higher food prices were the main contributor for this uptick in headline inflation.

The demand for credit remained weak during the second quarter of 2021, with the growth in private sector credit decelerating to 0.7 percent in June 2021 from 2.4 percent in June 2020. Business Loans and Consumer Loans contracted by 1.8 percent and 4.5 percent, respectively, while Real Estate Loans grew by 5.5 percent.

RESERVES

Net Official Reserves contracted by 9.2 percent in June 2021 (Figure 2). The demand for foreign exchange picked up slightly in June of this year following a downward trend between March and May. However, the country's reserves position improved by the end of August 2021 due to the IMF's allocation of Special Drawing Rights (SDR) of approximately US\$644 million on August 23rd, 2021. As a result, import cover improved to 8.6 months by the end of September, 2021. Purchases of foreign currency from the public by all authorised dealers increased by 11.4 percent in June 2021, compared to June 2020. Against a backdrop of a very tight foreign exchange market, some business owners continue to voice their frustration with the inadequate supply of foreign currency. Although reserves have been on a steady downward trajectory since 2015, they remain at a healthy level, at just above 8 months of import cover.

Figure 2: Net Official Reserves Growth (%) and Import Cover (months)



Source: CBTT

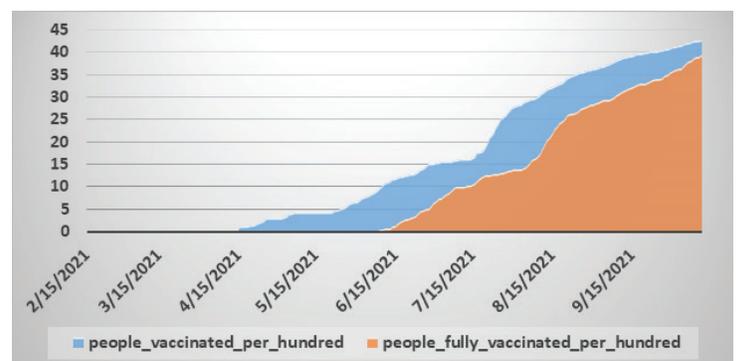
OUTLOOK

Although there are a number of new natural gas projects scheduled to come on-stream in late 2021 and 2022, it is difficult to tell the extent to which these will lift output over the next six months. In early August, the National Gas Company of Trinidad and Tobago Limited (NGC) signed a Consolidated Gas Supply Contract (CGSC) with Methanol Holdings (Trinidad) Limited (MHTL) and this contract will support operations at the MHTL Methanol Complex. While this may provide some optimism for the petrochemical industry, there is no denying that the major natural gas players operating in Trinidad and Tobago have shifted their focus during these challenging times. Energy giants like bpTT and Royal Dutch Shell are currently ramping up their efforts to acquire

low-carbon technologies. On February 12th, 2020, bpTT announced its bold target of becoming a net zero emissions company by 2050 or sooner and one of its five main goals is to become net zero on carbon in the field of oil and gas production. On February 11th, 2021, Royal Dutch Shell also announced its robust plan to address climate change and achieve net zero emissions by 2050.

In the next 6 months, the energy sector will see mixed results. Oil production should improve slightly via BHP's Ruby field but natural gas output is likely to remain challenged, despite new output. Therefore, the issues facing the petrochemical industry, especially LNG, will linger. Over the next six months, the performance of the non-energy sector, especially non-essential services, will be dependent on the country's success in controlling the pandemic. If this country is able to significantly flatten the curve for new COVID-19 infection and substantially limit pandemic-related deaths, the non-energy sector can record a positive performance during the usually busy Christmas/Carnival period. Though vaccination progress has been slower than most would have liked, steady gains continue to be made. As of October 10th, 39.1 percent of T&T's population was fully vaccinated (Figure 3). Based on the slow uptake of the vaccine back in June 2021, Fitch Solutions projected the country to reach herd immunity by February 2022. Although there was a subsequent sharp increase in the number of partially and fully vaccinated persons (Figure 3), vaccine hesitance could result in the country missing that target. Unemployment may decline over the next two quarters, as COVID restrictions are slowly removed and business operations steadily return to some sense of "normalcy".

Figure 3: Trinidad and Tobago COVID-19 Vaccinations



Source: Our World in Data

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HIGH WIRE ACT



Regional governments face headwinds as they perform a delicate balancing act, while trying to walk a fine line ... as quickly as possible.

Overview

For countries the world over, 2021 thus far, has had more twists and turns, ups and downs than 2020. This has certainly been the Caribbean's experience. In the first quarter, regional states were *Pegged Back* (REN issue – March 2021), as the hoped-for recovery was stymied by the border-tightening measures taken by some leading countries, the resurgence of the virus and vaccine inequity. The second quarter found countries *Making the Best of a Tough Situation* (REN issue – June 2021) with an eye toward improved circumstances in the future. Caribbean leaders and governments now find themselves performing a high wire act. Facing headwinds based on decisions made by leading tourism markets, rising prices from supply chain bottlenecks and adverse weather conditions, governments continue trying to balance lives and livelihoods while trying to walk a fine line between strongly encouraging/promoting vaccination and coercing/forcing people to get vaccinated. Even more difficult; this 'act' is being performed with a ticking clock. Governments find themselves racing; not just to generate economic activity and create jobs and revenue, but also to get a high percentage of their population vaccinated, before the COVID-19 Delta variant reaches community spread level.

Anguilla

In the first six months of 2021, tourism activity declined further. For the period, stay-over visitors contracted by 70 percent (year-on-year), from 23,220 to 6,974 compared to the 58.5 percent (year-on-year) for the same period in 2020. Anguilla seems to be doing well in managing the spread of the coronavirus within its borders. The country has recorded

a total of 409 COVID-19 cases and one COVID-related death, as at September 29th, 2021. With regard to its vaccination programme, the island is proceeding at a decent pace. As at September 24th, 2021, 60.2 percent of the total population was fully vaccinated. Due to its steady progress in vaccination and keeping infection rates at a minimal, America's Centers for Disease Control and Prevention (CDC) classified Antigua at "Level 1: Low" but on September 7th, 2021, it was assigned to "Level 3: COVID-19 High". Although it was featured on the UK's 'green watchlist' for travel, the island destination is still at risk of being downgraded to amber due to a short spike in cases that occurred in early September. Heading into the winter vacation period, the country will be hoping to see some improvement in tourism activity. Recently, the island lifted quarantine requirements for international visitors, regardless of their length of stay. However, visitors will still be required to do a PCR test upon arrival, and they will be required to remain at their hotel or resort while awaiting test results. The wait time is usually 12 hours so this may not be seen as a major inconvenience for travellers. This, however, changes commencing October 1st, 2021, when a £145 fee will be charged for arrival and 'fourth day' PCR testing, to help cover costs associated with the new testing regime. This new rule requires all visitors to test for COVID-19 on day four of their trip in addition to the test conducted upon arrival. Beginning December 11th, 2021, American Airlines will commence its service between Miami International Airport and Anguilla's Clayton J. Lloyd International Airport. This new service will augur well for the island's vital tourism industry, as the direct flights will operate twice weekly and all throughout the year. Also, the Anguilla Tourist Board (ATB) will be seeking to use

its high ranking on the Travel and Leisure 2021 World's Best Awards List as an effective marketing tool in boosting tourism activity in the latter half of this year.

Barbados

Barbados Prime Minister Mia Mottley met virtually with Chinese President Xi Jinping on July 13th. Several infrastructure projects in Barbados were discussed, along with other matters such as concessionary financing and COVID-19. Barbados' economy grew by an estimated 5.5 percent in the April – June period, with the improved performance due largely to higher private sector spending and the easing of travel restrictions, compared to what occurred in 2020. This growth was not enough to offset the significant first quarter contraction however, and initial indicators suggest economic activity for the first half of 2021 was 9 percent lower than that of the same period a year earlier. Due to a partial resumption of airlift, the second quarter of 2021 saw 11,289 tourist arrivals compared to just 980 for the same 2020 period. Nonetheless, activity in the tourism sector remained subdued, curbed as it were, by prolonged travel restrictions in the UK and uncertainty about travel protocols. Weak economic activity impacted the unemployment rate. The latest figure is 17.2 percent in the first quarter, which was characterised by a lengthy lockdown (National Pause). While some displaced workers have returned to work since then, part-time work has increased in frequency. Despite the moderate gains in the second quarter, Barbados' economy was assessed as severely depressed by an International Monetary Fund (IMF) team, following a virtual visit from August 24th – 27th. The country was adjudged to have met all of its Extended Fund Facility (EFF) targets to the end of June. Barbados received an allocation of US\$129 million as part of the global allocation of IMF Special Drawing Rights (SDR) which boosted its international reserves to more than US\$1.4 billion. Barbados, like several other countries, continues to grapple with the coronavirus, and experienced a surge in COVID-19 cases in late August that carried through into September. As of September 27th, 35.9 percent of the country's population was vaccinated.

British Virgin Islands

After curbing the rise of COVID-19 cases for an extended period, the British Virgin Islands (BVI) experienced a significant surge that took the total number of cases from 313 at the end of June to 2,500 at the end of July. The rapid rise in cases slowed thereafter to reach 2,642 as of September 30th. During the surge BVI recorded 36 deaths to take the total to 37. To help stymie the surge, a 7:00 pm to 5:00 am curfew was implemented from July 9th for a two-week period. Among the restrictive measures taken, face to face activities at all schools and child-care centres were banned, hairdressers, barbers, gyms, bars, clubs and entertainment establishments were closed, and restaurants were limited to take-out service only. In September, it was announced that the government was making strong efforts to secure Pfizer and Moderna vaccines. BVI's vaccination drive was launched in early February with AstraZeneca vaccines gifted by the United Kingdom. As of September 30th, 49.5 percent of the territory's population was vaccinated.

Cayman Islands

On June 30th, it was announced that the economic substance requirements for the Cayman Islands were extended to partnerships pursuant to the International Tax Cooperation (Economic Substance) (Amendment of Schedule) Regulations 2021. This means that partnerships will need to submit an annual economic substance notification, indicating whether they are required to meet the economic substance test under the ES Act. The economic substance test is a requirement of entities to demonstrate that the profits they register in a particular jurisdiction, are commensurate with their economic activities. In the first quarter of 2021, Cayman Islands received 2,085 stay-over tourists, which pales in comparison to the 145,804 visitors it hosted over the same period in 2019. This isn't entirely surprising, given the significant border restrictions implemented by the territory for several months now, as part of its efforts to curb the spread of COVID-19. Following a rash of new cases, on September 14th, it was announced that the territory's phased border re-opening will be put on hold for the rest of this year. As of September 29th, 78.3 percent of Cayman Islands' population was vaccinated.

Cuba

Cuba has been making steady progress with the development of its vaccines. In June, health authorities announced that the domestically produced Abdala vaccine has a 92 percent efficacy rate against the coronavirus at the clinical trial stage, putting it the same league as the Moderna and BioNTech-Pfizer vaccines. The country started its vaccination programme in mid-May with the Abdala and Soberana 2 vaccines, without the completion of third phase clinical trials. Cuba began vaccinating teenagers against COVID-19 at the end of August, with state-run media indicating that it would begin vaccinating young children by mid-September, with all children aged 2 to 18 set to receive at least two doses of the locally developed Soberana-2 vaccine. The government is aiming to vaccinate 90 percent of the population by December. As of September 28th, 44.4 percent of Cuba's population was vaccinated. In early July, Cuba saw its largest street protests in decades as thousands marched, demanding freedom and food. Indications are that economic crisis, a spike in COVID-19 infections, power blackouts and increased access to information via social media all helped fan discontent with the government. The actions by Cuban authorities to suppress the protests resulted in a series of sanctions by the US government on some Cuban government officials. In August, it was announced that reforms will be made to allow for the incorporation of small and medium-sized businesses in the coming months. In some more progressive news, recent reports indicate that Cuban authorities are exploring the possibility of using cryptocurrencies for payments.

Dominica

The first half of this year was difficult for tourism activity in Dominica. During the first six months of 2021, stay-over visitors declined by 75 percent (year-on-year) from 18,368 to 4,643 and the total visitor spend contracted by 76 percent for the same period. This decline was worse compared to what transpired in 2020, where long-stay arrivals contracted by 57.6 percent and total visitor spend decreased by 52.7 percent

from EC\$141.6 million to EC\$67 million. Since the onset of the pandemic in early 2020, Dominica was doing well to contain the spread of the virus. Nevertheless, in early September, the nation registered a spike in cases. For almost a year and a half, the country had no COVID-related deaths but since the spike, its total cases climbed to 3,481 with 20 deaths as at September 30th, 2021. Vaccination is progressing at a slow rate and as at September 24th, 2021, only 29.2 percent of the population was fully vaccinated. In late July, The Commonwealth of Dominica presented a \$993.6 million budget for the fiscal year 2021-2022 and approximately 40 percent of the budget will go towards debt service, retirement benefits and salary payments. The Education and the Health sectors received the second and third highest allocations of 11.8 percent and 9.2 percent, respectively. Among the major planned tourism projects, the construction of the International Airport is probably the most anticipated in Dominica. Over 63 acres of land are being cleared to make room for the airport and construction is set to cost \$800 to \$900 million. The Anichi Resort and Spa is another project that bodes well for the future development of the sector. Although the construction phase has already begun, an opening date is yet to be announced.

Grenada

Grenada entered the third quarter of 2021 with relatively low COVID-19 cases and deaths. As of July 18th, it had a total of 161 cases with one death and had not recorded a new case in over two months. The current State of Emergency which was set to expire in July 14th was nonetheless extended to November. Three more cases in the ensuing weeks took the total number to 164 as of August 7th. Case numbers increased steadily thereafter and by the end of the month the country was in the throes of a strong surge, leading to 5,140 cases and 139 deaths as of September 30th. As a response to the deteriorating situation, non-essential sectors were closed, the curfew was extended by 2 hours to 7:00 pm to 5:00 am, no-movement days were instituted for two consecutive weekends and non-essential travel between Grenada, Carriacou and Petite Martinique was suspended. Despite all the restrictions, the government continued to facilitate and encourage vaccination. As of September 24th, just 20 percent of Grenada's population was vaccinated. In an encouraging development, at the end of August it was announced that the 269-room Royalton Grenada Resort will re-open in October.

Guyana

Guyana is experiencing some challenges in containing the spread of the COVID-19 virus. As at September 29th, 2021, the country had a total of 31,827 cases and 786 COVID-related deaths since the onset of the pandemic. The nation's vaccination programme is progressing at a slow pace, with 23.6 percent of the total population fully vaccinated as at September 9th, 2021. Guyana's oil reserves continue to grow. In August 2021, ExxonMobil reported a discovery at Whiptail in the Stabroek Block and the energy company now envisions at least six projects online by the year 2027. Also, the government recently received bids from 15 companies, including oil majors such as Royal Dutch Shell, Chevron Corp, Total Energies SE and Equinor ASA, to market its share of the crude oil. With regard to the monetising of

its gas potential, Guyana began bilateral discussions with Suriname for a joint gas strategy, which could include gas-to-shore infrastructure and the establishment of a natural gas-powered electricity plant. Looking ahead, Guyana will not only focus on its highly lucrative oil industry but seek to improve the synergy between the agriculture and tourism sectors. On July 7th, 2021, the Ministry of Agriculture signed a Memorandum of Understanding (MoU), which will aim to further develop the existing agri-tourism policy in Guyana through initiatives such as farmers' markets, agricultural tours and other hospitality businesses. Within the next two years, the local construction sector will be able to avail of top-grade grey and white cement as the construction of the Georgetown Cement Co. officially began in June of this year. The US\$100 million cement plant will combine both French and German technologies and will help reduce the cost of imported cement by approximately 30 percent.

St Kitts and Nevis

The tourism sector declined further during the first two quarters of this year. For the period, long-stay arrivals contracted by 77.4 percent (year-on-year) compared to a 62.5 percent decline in the first six months of 2020. Total visitor spend also decreased by 82.7 percent in the first half of 2021 compared to a contraction of 62.9 percent in the similar period of 2020. During the period, the cruise industry was shut down. However, activity resumed on July 22nd, 2021, with the arrival of the Seabourn Odyssey. The IMF anticipates that St. Kitts and Nevis' economy will contract by 1 percent this year and rebound to pre-pandemic growth levels by 2024. With respect to the management of the pandemic, as at September 30th, 2021, the country recorded 1,918 total cases since the onset of the pandemic and 13 COVID-related deaths. The country has also achieved reasonable success with its vaccination programme as 41.4 percent of the population was fully vaccinated as at September 27th, 2021.

St Lucia

In late July, Philip Joseph Pierre was sworn in as St. Lucia's new Prime Minister after leading the St. Lucia Labour Party (SLP) to a convincing victory in the country's general election. The new Prime Minister, who is an economist/accountant, admitted that the task that lies before the government will not be easy. In the build-up to the election, he admitted that the country's high level of debt is a major cause for concern but overcoming the ravages of the pandemic will most likely be first on the newly elected government's agenda. As at September 30th, 2021, St. Lucia recorded a total of 11,459 COVID-19 cases and 201 total deaths. With respect to its vaccination programme, progress is pretty slow, with only 17.7 percent of the total population fully vaccinated as at September 30th, 2021. Tourism activity remains weak, although the contraction in stay-over visitors during the first six months of 2021 was not as severe as the decline recorded in the same period of 2020. During the period, stay-over visitors contracted by 29.5 percent (year-on-year) compared to the 58.4 percent decline in 2020. Total visitor spend also decreased by around 25 percent, from EC\$581.2 million to EC\$437.8 million. Earlier this year, the St. Lucia Tourism Authority introduced its 'Live It' programme for visits up to six weeks but now this initiative

will provide an additional option where visitors that possess a multiple entry visa can stay for up to one year. Airline flight activity may pick up as the nation heads into the winter period. Caribbean Airlines has already resumed flights to St. Lucia and Virgin Atlantic is expected to return for the winter period. Virgin Atlantic's return can be a huge boost for tourism activity given that the UK is the country's second largest tourism source market.

St. Vincent and the Grenadines

The performance of the tourism sector worsened during the first half of 2021, as long-stay arrivals fell by 72.1 percent (year-on-year), from 18,729 to 5,217. This decline was larger than the 56.9 percent decrease in the same period of 2020. Total visitor spend also contracted by 80.8 percent from EC\$91.8 million to EC\$17.6 million compared to the 49 percent decrease in 2020. COVID-19 continues to present major challenges to St. Vincent and the Grenadines, (SVG) with the National Emergency Management Organisation (NEMO), announcing five cases of the Mu strain of the coronavirus were detected in the country between July 19th, 2021 and August 9th, 2021. This is a cause for concern, as the World Health Organisation (WHO) is monitoring this latest variant of interest and early evidence suggests that it may be more transmissible than the original strain of the virus. In September, the country experienced a surge that took its total number of cases to 3,508 with 21 deaths as of September 30th. SVGs vaccination campaign is proceeding at a pedestrian pace with just 12.1 percent of the population vaccinated as of September 29th. Following the devastation and disruption caused by the eruption of the La Soufrière volcano that began on April 9th, 2021, the IMF approved the country's request for emergency financing assistance of approximately US\$11.6 million under the Large Natural Disaster Window (LNDW). This approval was confirmed by the IMF in early July and the fiscal support included humanitarian support, income support for displaced workers and spending for cleanup and reconstruction. After suffering an economic contraction of 3.8 percent in 2020 and the first half of 2021, the Caribbean destination will be hoping for a rebound in the second half of the year, but this will mainly hinge on the events related to the pandemic. The recent launch of the ECCB's 'D Cash' digital currency in the island of St. Vincent and the Grenadines, may augur well for tourism activity as tourists prefer to use less cash during vacations. 'D Cash' may also provide a safer and more convenient medium for people to send and receive funds via smart devices, which is a growing trend.

Sint Maarten

Since the onset of the pandemic, Sint Maarten recorded 4,283 total COVID-19 cases and 66 deaths as at September 30th, 2021. The country is moving at a healthy pace toward achieving herd immunity with 57.8 percent of the population fully vaccinated as at September 24th. The tourism sector performed much better in the first five months of this year compared to the same period of 2020. During the first five months of 2021, stay-over visitors contracted by 1.1 percent (year-on-year) which was lower than the 48 percent decline in the similar period of the previous year. Based on the pandemic-related challenges, the IMF projects that Sint

Maarten will register real GDP growth of 4 percent and 15 percent in 2021 and 2022, respectively.

Suriname

On June 26th, Suriname's National Assembly approved the country's 2021 National Budget and the 2020–2022 Rescue Plan. Approval of both policy documents was a pre-condition of Suriname's entry into an IMF Extended Fund Facility (EFF) and provided the support for the government to implement the policies therein. The policies include increasing the sales tax from 10 percent to 12 percent, with this being replaced by a value-added tax in 2022, increasing gold mining royalties from 2.75 percent to 7.5 percent, reducing electricity and transport subsidies and reducing public sector employment. The government intended to introduce new electricity tariffs on July 1st, however public opposition forced it to reconsider the proposed formula. In mid-August it was disclosed that Dubai-based logistics group DP World plans to invest more than \$100 million in a new oil port in Suriname. The port will be located on the east bank of the Suriname River. Construction is scheduled for early 2022 in collaboration with local companies. Also, in August, Suriname's President, Chadrikapersad Santokhi, travelled to Guyana for bilateral discussions with his counterpart, President Irfaan Ali. Coming out of the discussions, a working group was to be established to pursue proposals for a joint gas strategy and a sub-regional development strategy. The two presidents also agreed to collaborate in their preparations for the 2021 United Nations climate change conference (COP 26), noting that as two high-forest, low-deforestation countries, there is great scope for advancing the joint positions and interests of Guyana and Suriname at the Summit and beyond. From mid-August, Suriname has been grappling with its largest COVID-19 surge thus far, with total cases at 41,631 as of September 30th, with 884 deaths. As of this same date, 29.4 percent of the country's population was vaccinated.

Region

Following an Article IV Consultation in July, the International Monetary Fund (IMF) estimated that Antigua and Barbuda's economy contracted by one percent in the first half of 2021 and could experience a recovery in the second half. Fund officials warned however, that a prolonged pandemic, delays in fiscal reforms and the impact of natural disasters could pose a threat. In the first week of September, the country's Prime Minister, Gaston Browne, disclosed that it is becoming increasingly difficult to pay salaries and wages for public sector workers on time, and he linked vaccination to re-opening the economy and alleviating government's financial strain. With a dramatic increase in COVID-19 cases and deaths in recent weeks, on September 15th, government announced policies making vaccination mandatory for all state employees and a wide swath of the population. As of September 28th, 43.1 percent of the country's population was vaccinated.

Jamaica's economy expanded by 12.9 percent in the April-June quarter this year compared to the same period in 2020, with the growth reflective of recovery from stiff lockdown measures imposed a year earlier to reduce the spread of COVID-19. However, despite the encouraging recovery in

the quarter, economic activity remained below pre-pandemic levels. On August 9th, the country's financial sector saw a significant new development as the Bank of Jamaica (BOJ) minted Jamaica's first batch of central bank digital currency (CBDC). A total of J\$230 million dollars in CBDC was to be issued to deposit-taking institutions and authorised payment service providers during the CBDC pilot exercise which ends in December. In an attempt to curb the spread of the COVID-19 delta variant, 12 no-movement days were implemented in late August and early September. During these days, only essential workers were allowed to leave their homes and only essential services such as pharmacies and hospitals were allowed to operate. Only 8.6 percent of Jamaica's population was vaccinated as of September 28th.

In a stark illustration of the relativity of circumstances, the high wire act currently being performed by most regional states, is a position that Haiti's leaders would almost certainly wish to be in presently. No country in the region, the hemisphere, and perhaps even the world has had a third quarter like the first Black Republic. On July 7th, the country's embattled President, Jovenel Moise was assassinated in a violent attack that also injured his wife Martine Moise. In the wake of the assassination, the pre-existing political turmoil didn't exactly decrease, but was largely subsumed by shock and widespread uncertainty about the way forward. More than a week later, Ariel Henry who was chosen by the late President to be Haiti's new Prime Minister, was sworn in to the position, following a brief power struggle with the interim Prime Minister Claude Joseph. On August 15th, the western part of Haiti was hit with a 7.2 magnitude earthquake. Over 2,200 people were killed and an estimated 12,300 injured. In addition to infrastructure, the quake destroyed almost 53,000 houses and damaged 77,000 more. Early rescue and relief efforts were hampered by the arrival of Tropical Depression Grace shortly after, on the night of August 16th. With already hundreds of landslides in the earthquake impacted area, the significant rainfall brought on by Grace triggered more landslides with the soaking of already destabilised soil.

On September 1st, Governor of Haiti's Central Bank, Jean Baden Dubois indicated that while the economy was already set to contract for a third straight year, the quake will cause a greater decline than the bank's official forecast of a 2.1 percent contraction. He added that economic activity is also being hampered by the gang and political violence that have paralysed swathes of the country and led to an increase in emigration and spikes in the prices of some imported goods. As of September 30th, only 0.2 percent of Haiti's population of 11.6 million people were vaccinated.

Outlook

While crude oil prices are expected to decline somewhat in 2022, over the next six months, both oil and natural gas prices are projected to remain strong. Gold prices are forecast to appreciate slightly from its current encouraging level, toward the end of the first quarter 2022. Food prices are likely to increase over the short term. The global tourism industry is not expected to make a strong recovery before 2023. However, the strength and timing of the recovery of different routes and markets are likely to vary. In this scenario, Guyana and Suriname should fare well as they benefit from buoyant activity and solid revenue inflows from two of their main commodity exports, gold and oil. While each country may have slightly different fortunes, the general outlook for regional tourism is patchy and inconsistent, with the rate of spread of COVID-19 and its current impact on the populations of regional states, as well as those of the main tourism source markets, being the key determining factors. In the coming months, regional states will continue to be challenged in containing the spread of the virus, with many likely to face negative travel advisories and restrictive measures on travelling implemented by the region's main tourism source markets, the US, UK and Canada. Consequently, most countries will almost certainly see weak tourist arrivals in the coming months. With some other sectors likely to be facing either restricted operations or weak demand as well, the tourism-dependent country's will be increasingly challenged by rising food and commodity prices.

The industrial relations and socio-economic climates across the region are likely to become more contentious in the coming months. Government officials in a number of countries have indicated that future lockdowns are not tenable as the economy will not survive; with businesspeople expressing similar concerns with respect to their companies. Many people see vaccination as the only way to get past the seemingly impossible task of balancing lives and livelihoods. Beyond the economic and business benefits, governments are anxious to get this done as quickly and thoroughly as possible to reduce the strain on their health care systems and prevent them from being overwhelmed by more transmissible COVID-19 variants. With these time-specific objectives being frustrated by high levels of vaccine hesitancy, pressure is building. Not unlike the authorities in Antigua and Barbuda, in the coming months, more and more governments and business are likely to cross the line from encouraging to mandating vaccination. Even if, or when, the ensuing protests and legal challenges are adjudicated on by the courts, the contention between rights and responsibilities, personal choice and state control, individual freedom and the collective good, will likely remain bubbling below the surface.

On another note...



What about the impending global crisis?

Some civil wars have abated, but armed conflicts still dot the globe and together with crushing socio-economic conditions have resulted in the displacement of millions of people. In some parts, food shortages and even famine persist, meanwhile racism and the inequity between and within nations remain as virulent as ever. Ahead of these seemingly intractable challenges, for over 18 months, the COVID-19 pandemic has grabbed headlines across the world. The disease has been both a leveler and spotlight; presenting all nations with the same challenges while also shining a light on some of the very ills just mentioned. While the pandemic has seemingly come out of the blue; what lies ahead has been long in coming and promises generational consequences.

August 9th saw the release of the latest Intergovernmental Panel on Climate Change (IPCC) Report, as a precursor to the United Nations Framework Convention on Climate Change's (UNFCCC) 26th Conference of the Parties (COP 26) to be held in Glasgow in November 2021. The report indicated that scientists are observing changes in the Earth's climate in every region and across the whole climate system. Further, many of the changes observed are unprecedented in thousands, if not hundreds of thousands of years, and some of the changes already set in motion, such as continued sea level rise, are irreversible over hundreds to thousands of years.

What is climate change?

It is almost impossible to define climate change without mentioning global warming. Since the two phenomena are inextricably linked, they are sometimes used interchangeably, but there are differences, and if anything, global warming can be considered the precursor to climate change.

Global warming

As far back as the late 1800s, scientists were theorising that industrialisation, driven by the burning of fossil fuels for energy, could modify the climate. However, for several decades, they weren't sure whether cooling (due to reflection of sunlight from pollution) or warming (due to greenhouse gases) would dominate. By the mid-1970s, however, more and more evidence suggested warming would dominate and that it would be unlike any previous, naturally triggered warming episode. The phrase "global warming" emerged to describe that scientific consensus.

Over time, scientists became more aware that global warming was not the only impact of excess heat absorbed by greenhouse gases. Other changes such as sea level rise, intensification of the water cycle, stress on plants and animals, were likely to be far more important to our daily lives and economies. By the 1990s, scientists increasingly used "human-caused climate change" to describe the challenge facing the planet. Climate change can be defined as a change in global or regional climate patterns, particularly apparent from the mid to late 20th century onwards and attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels.

Understanding the greenhouse effect

The "greenhouse effect" is the warming that happens when certain gases in the Earth's atmosphere trap heat. These gases let in light but keep heat from escaping, like the glass walls of a greenhouse, hence the name.

Sunlight shines onto the Earth's surface, where the energy is absorbed and then radiated back into the atmosphere as

heat. In the atmosphere, greenhouse gas molecules trap some of the heat, and the rest escapes into space. The more greenhouse gases concentrate in the atmosphere, the more heat gets locked up in the molecules.

Scientists have known about the greenhouse effect since 1824, when Joseph Fourier calculated that the Earth would be much colder if it had no atmosphere. This natural greenhouse effect is what keeps the Earth's climate livable. Without it, the Earth's surface would be an average of about 60 degrees Fahrenheit (33 degrees Celsius) cooler.

The main greenhouse gases are carbon dioxide, methane, nitrous oxide and chlorofluorocarbon-12, in that order. The efficiency of these gases at trapping heat, increases as you move from carbon dioxide to chlorofluorocarbon-12. Although it is the least efficient, carbon dioxide (CO₂) has by far the greatest impact on warming because of the sheer volume of it in the atmosphere (Table 1). Interestingly, while it is known that trees remove carbon dioxide from the atmosphere and release oxygen, when they are cut down, decay or are burnt, the carbon is released back into the atmosphere as carbon dioxide. Deforestation is therefore a double blow to reducing CO₂ levels.

Sources and concentrations of major greenhouse gases

Greenhouse gas	Major sources	Pre-industrial concentration (ppb) parts per billion	2011 (ppb)
Carbon dioxide	Fossil fuel combustion, deforestation, cement production	278,000	390,000
Methane	Fossil fuel production, agriculture, landfills	722	1,803
Nitrous oxide	Fertilizer application, fossil fuel and biomass combustion, industrial processes	271	324
Chlorofluorocarbon 12	Refrigerants	0	0.527

Source: Fifth Assessment Report (Intergovernmental Panel on Climate Change IPCC 2014)

How is warming measured?

To get a complete picture of Earth's temperature, measurements from the air above land and the ocean's surface, from locations around the world, are collected by ships, buoys and sometimes satellites. The temperature at each location is compared with the long-term average (30 years) for that location, to determine the increase or decrease. The daily temperature differences are averaged over a whole month and are in turn, used to work out temperature differences from season-to-season and year-to-year. The temperature differences are stated in reference to the pre-industrial era (1850 – 1900), the period before industrialisation began impacting global temperature. According to the IPCC report, emissions of greenhouse gases from human activities are responsible for approximately 1.1°C of warming since the 1850-1900 period. The report also provides new estimates of the chances of crossing the global warming level of 1.5°C in the coming decades, and finds that unless there are immediate, rapid and large-scale reductions in greenhouse

gas emissions, limiting warming to close to 1.5°C or even 2°C will be beyond reach.

What's the big deal about a few degrees?

It is important to remember that the warming temperature is an average. Thus, of the thousands of locations around the world, some would be above 1.1°C and some below. Most land regions are experiencing greater warming than the global average, while most ocean regions are warming at a slower rate.

The myriad number of processes that bring about climactic developments and events are governed by physical and chemical laws and relationships. Under similar conditions, these processes will be consistent and predictable, however if conditions change, the process could change. Looking at one common relationship, it is well known that water boils at 100°C and freezes at 0°C. These processes only happen as expected, based on the purity of the water and the atmospheric pressure at the location. Further, the speed at which they occur is influenced by the intensity of the heating or cooling process. If the water has other substances mixed in it or the pressure is different, then the water will boil or freeze at different temperatures. The pressure cooker is based on this relationship. With the same heat applied, the high pressure

achieved with the sealed lid, intensifies the cooking process. Hence, changes to the governing conditions, even seemingly small ones, can alter physical and chemical processes, with the effects becoming more pronounced if the change is consistent and growing.

The effects of climate change

Extreme heat

Across the globe, hot days are getting hotter and more frequent, while fewer cold days are being experienced.

Drought

Warmer temperatures enhance evaporation, which reduces surface water and dries out soils and vegetation. This makes periods with low precipitation drier than they would be in cooler conditions. This will significantly impact farming and food production, leading to food shortages.

Rising sea levels

As the planet warms, ocean waters are also warming and expanding. At the same time, warmer temperatures are causing land ice (glaciers and ice caps) to melt, which is adding water to the world's oceans. As a result, the average global sea level has increased eight inches in the last 150 years. This is a growing threat to small island nations and people that live in coastal regions.

Increased precipitation

Warmer air can hold more water vapour. For each degree of warming, the air's capacity for water vapour goes up by about 7 percent. This increase in atmospheric water vapour is then manifested as greater levels of rain or snow. Just as drier areas are likely to get drier with rising global temperatures, those areas of the world that have historically trended toward heavy precipitation will only get wetter. In addition to the likely negative impact on farming and food production, increasing rainfall means increasing property destruction and loss of life as a result of flooding and landslides.

More intense hurricanes

Although scientists are uncertain whether climate change will lead to an increase in the number of hurricanes, warmer ocean temperatures and higher sea levels could intensify tropical storm wind speeds, increasing their intensity and impact. The National Oceanic and Atmospheric Administration (NOAA) has suggested that an increase in Category 4 and 5 hurricanes is likely, with hurricane wind speeds increasing by up to 10 percent. Stronger hurricanes will be far more costly in terms of destruction and deaths without action to make coastal (and inland) areas more resilient.

More intense winter storms

Rising temperature do not necessarily mean the end of winters. Overall, winters are getting milder and shorter; but recent winters have brought intense snowstorms and record-breaking frost. While it may seem contradictory, climate change may be contributing to more extreme winter weather. As the warming atmosphere traps water vapour later and later into the year, that precipitation leads to heavier snowfall when the temperatures do drop. Another factor is the rapidly warming Arctic, which some scientists believe is weakening the jet stream and causing disruptions of the polar vortex. The polar vortex refers to bands of wind and low air pressure near the North Pole, which normally lock cold air over Arctic. When those bands break down, icy air can escape south in the form of freezing winters.

What has been done

As scientific concerns about global warming grew during the 1980s, that decade saw the emergence of the first international conferences and agreements geared towards combatting the negative developments impacting the global environment. There have been several such conferences in the ensuing 30-plus years, with a few of the pivotal ones referenced below.

Montreal Protocol, 1987

This conference was not intended to tackle climate change per se but rather the destruction of the ozone layer. The treaty that resulted, and was eventually ratified by all countries, required the cessation of production of substances that damage the ozone layer, such as chlorofluorocarbons (CFCs). This historic environmental accord became a model for future diplomacy on climate change.

UN Framework Convention on Climate Change (UNFCCC), 1992.

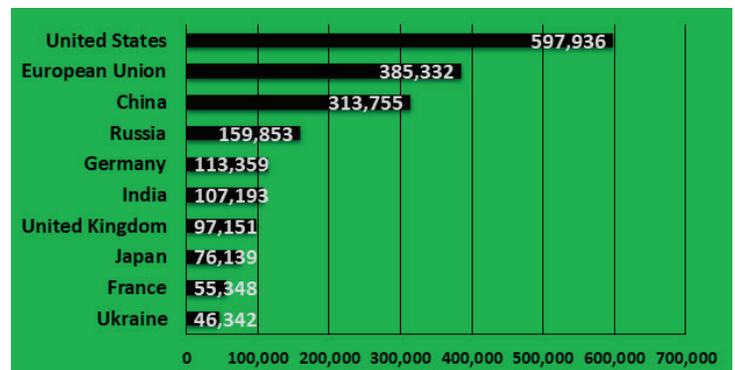
Ratified by 197 countries, this accord was the first global treaty to specifically address climate change. It established an annual forum, known as the Conference of the Parties, or COP, for international discussions aimed at stabilizing the concentration of greenhouse gases in the atmosphere. These meetings produced the Kyoto Protocol and the Paris Agreement.

Kyoto Protocol, 2005.

Entered into force in 2005, it was the first legally binding climate treaty. It required developed countries to reduce emissions by an average of 5 percent below 1990 levels and established a system to monitor countries' progress. However, the treaty did not compel developing countries, including major carbon emitters China and India, to take action. This contentious issue resulted in a number of developed countries refusing to accede to the agreement.

The contention ultimately centres around which countries are responsible for causing climate change and should therefore bear the burden in combatting it. Developing countries argue that developed countries have emitted more greenhouse gases over time as they grew their economies without restraint. They argue that because of this, developed countries should now carry more of the burden than developing countries, which are now seeking to grow their economies. This view is bolstered by cumulative data which show the United States has emitted the most greenhouse gases of all time, followed by the European Union (Chart 1).

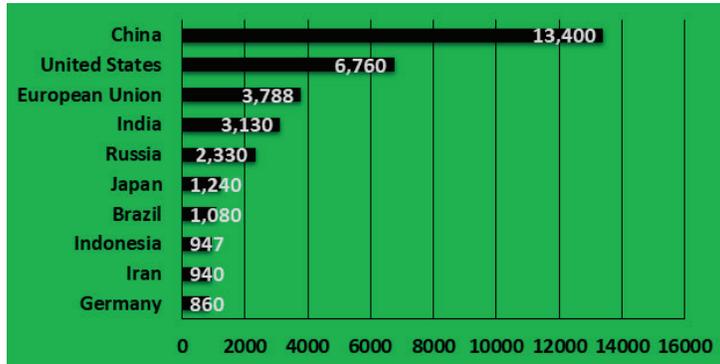
Chart 1: Top Greenhouse Gas Emitters from 1850 -2018 (metric tons of carbon dioxide equivalent)



Source: Climate Watch

On the other hand, with China and India now among the world's top annual emitters, along with the United States, developed countries have argued that those countries must do more now to address climate change (Chart 2).

Chart 2: Top Greenhouse Gas Emitters in 2018 (metric tons of carbon dioxide equivalent)



Source: Climate Watch

While today, this contention persists at several levels, there has been an evolution of perspectives over time. It seems the magnitude and urgency of the challenge at present, has relegated 'the contention' to second place, with Heads of State across the globe, acknowledging that all countries need to do their part to ward of this existential threat.

Consequently, the Paris Agreement is the most expansive and inclusive initiative geared to slowing climate change. The treaty, which is directed at all countries, was adopted by 196 parties on December 12th, 2015. The Agreement works on a 5- year cycle of increasingly ambitious climate action carried out by countries. However, most experts agree that the Paris Agreement does not go far enough. Countries' pledges are not ambitious enough and will not be enacted quickly enough to limit global temperature rise to 1.5°C or even 2°C. In fact, a 2021 analysis by the UNFCCC estimates a 2.7°C rise by the end of the century, even if countries follow through on their current commitments under the Paris accord.

Look out for Part II of this article in the December 2021 issue of the REN.

Part II will include:

- The current state of affairs, following the United Nations Framework Convention on Climate Change's (UNFCCC) 26th Conference of the Parties (COP 26) in November 2021. (i.e. How bad things are and what must be done)
- What new commitments are being made now.
- What has T&T been doing to combat climate change.
- What this country must do going forward.
- The likely impacts, consequences and opportunities of T&T's climate change commitments.
- What citizens can do in the fight against climate change.