CARIBBEAN MARKET OVERVIEW

October 2023

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Caribbean Market Review

Market Review

Chart 1: High Yield - 10Y Against Benchmark

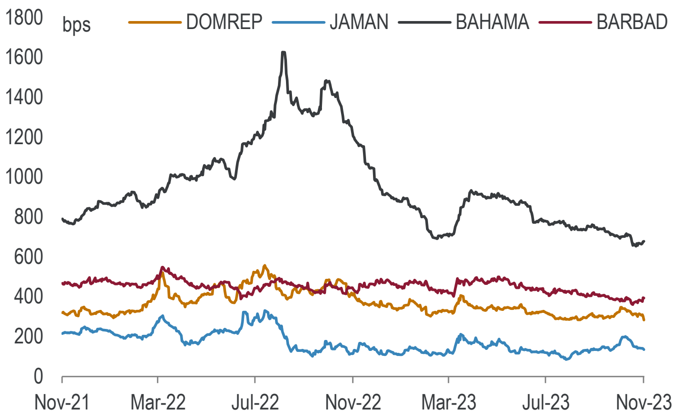
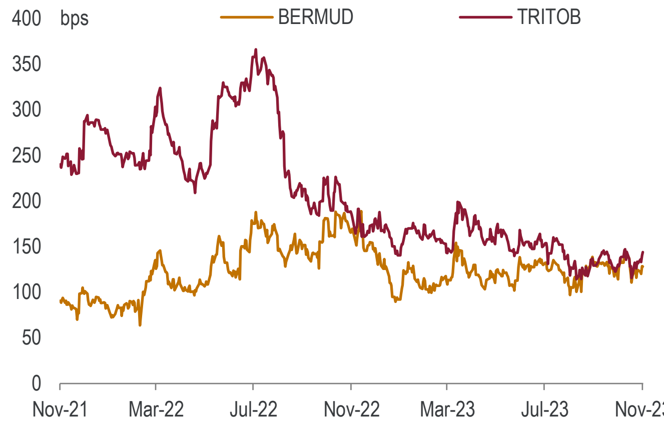
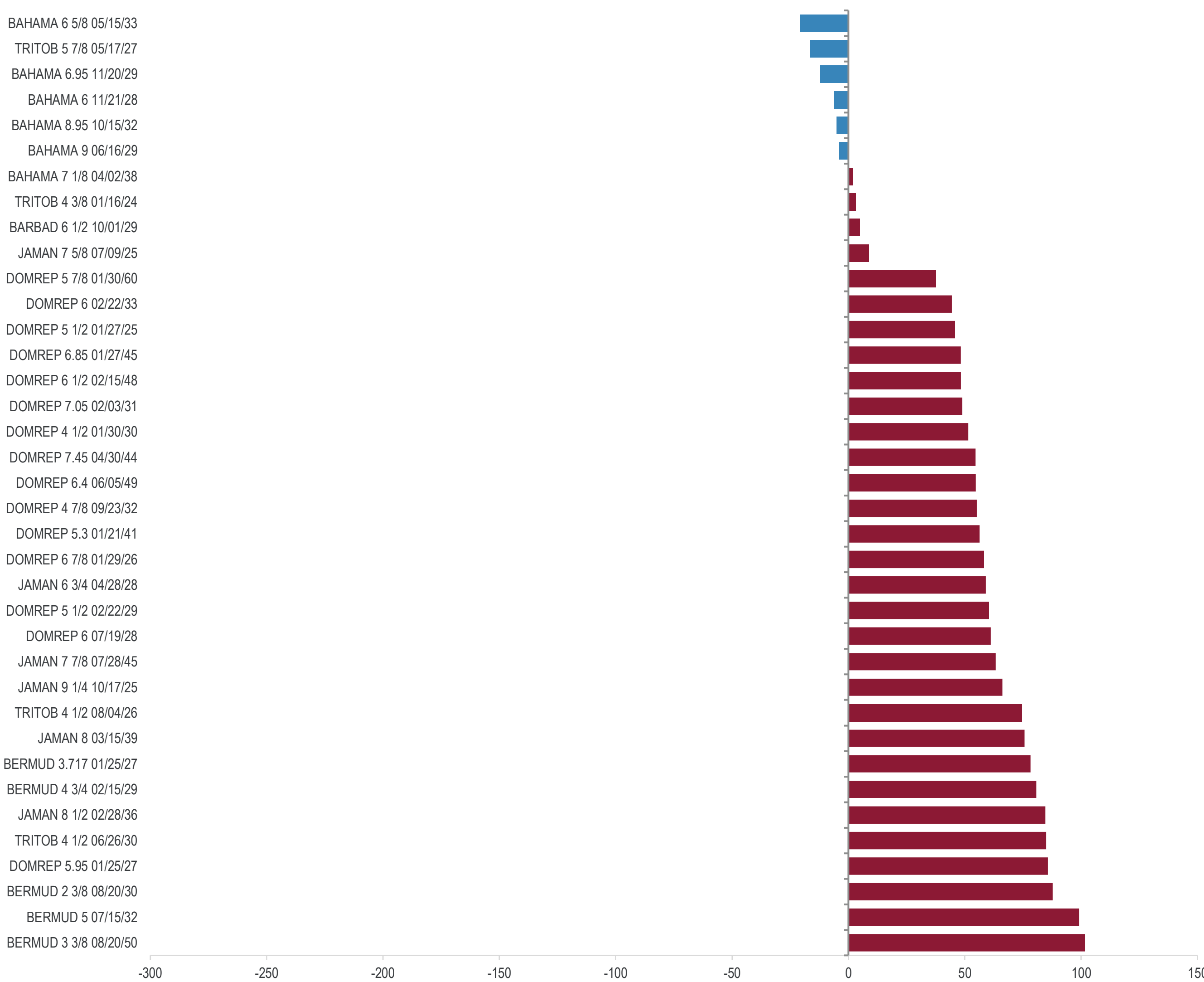


Chart 2: Investment Grade - 10Y Against Benchmark



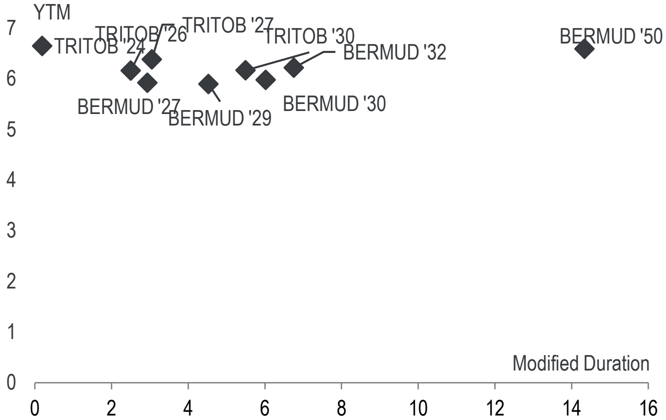
Source: Bloomberg and CIBC Capital Markets – FICC Strategy.
10Y bonds are: BARBAD 6 ½ 10/01/29; DOMREP 4 7/8 09/23/32; JAMAN 6 3/4 04/28/28; BAHAMA 8.95 10/15/32; BERMUD 2 3/8 08/20/30; TRITOB 4 1/2 06/26/30

Chart 3: Caribbean Bonds Change in Yields Since Aug 4, 2023



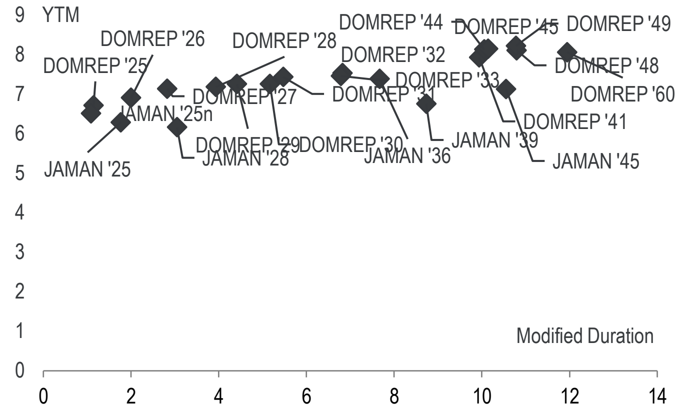
Source: Bloomberg (BVAL) and CIBC Capital Markets – FICC Strategy.

Chart 4: Caribbean – BERMUD and TRITOB



Source: Bloomberg and CIBC Capital Markets – FICC Strategy.

Chart 5: Caribbean – JAMAN and DOMREP



Source: Bloomberg and CIBC Capital Markets – FICC Strategy.

Chart 6: JAMAN 45s vs DOMREP 45s

Source: Bloomberg and CIBC Capital Markets – FICC Strategy.

Chart 7: BARBAD 29s vs BAHAMA 29s

Source: Bloomberg and CIBC Capital Markets – FICC Strategy.

Table 1: Public Sector Fiscal Accounts and Debt 2023 or 2023/24

	Primary Balance (% of GDP)	Fiscal Balance (% of GDP)	Gross Government Debt (% of GDP)	Real GDP Growth (%)
Antigua and Barbuda	0.0%	-2.8%	80.5%	5.6%
Aruba	4.5%	0.8%	82.9%	2.3%
The Bahamas	1.6%	-2.8%	83.7%	4.3%
Barbados	3.6%	-1.7%	117.9%	4.5%
Belize	1.2%	-0.5%	59.3%	4.0%
Bermuda	0.6%	-1.0%	41.7%	1.5%
Cayman Islands	-0.2%	-0.5%	8.4%	3.1%
Dominica	0.2%	-4.2%	97.4%	4.6%
Dominican Republic	-0.1%	-3.2%	59.8%	3.0%
Grenada	3.6%	2.0%	60.2%	3.9%
Jamaica	5.6%	0.3%	74.1%	2.0%
St. Kitts and Nevis	6.0%	4.5%	53.2%	4.9%
St. Lucia	1.1%	-2.2%	75.1%	3.2%
St. Vincent and the Grenadines	-5.0%	-7.6%	86.2%	6.2%
Trinidad and Tobago	1.7%	-0.9%	107.0%	2.1%

Sources: IMF, Standard and Poor's, Moody's, and CIBC FirstCaribbean.

Table 2: Ratings of Caribbean Sovereigns (Updated Nov 2, 2023)

	S&P	Moody's
Aruba	BBB	NA
The Bahamas	B+	B1
Barbados	B-	B3
Bermuda	A+	A2
Cayman	NA	Aa3
Dominican Republic	BB	Ba3
Jamaica	BB-	B1
Trinidad and Tobago	BBB-	Ba2

Sources: Standard and Poor's and Moody's.

Table 3: Rating Classifications

Investment Grade S&P	Investment Grade Moody's	High Yield S&P	High Yield Moody's
AAA	Aaa	BB+	Ba1
AA+	Aa1	BB	Ba2
AA	Aa2	BB-	Ba3
AA-	Aa3	B+	B1
A+	A1	B	B2
A	A2	B-	B3
A-	A3	CCC+	Caa1
BBB+	Baa1	CCC	Caa2
BBB	Baa2	CCC-	Caa3
BBB-	Baa3	CC	Ca

Table 4: Caribbean Bonds and Indicative Prices/Spreads (Updated Nov 2, 2023)

Bahamas

Bond	Price	Yield	Yield Change*	Z-Spread	S&P	Moody's	Fitch
BAHAMA 5 3/4 01/16/24	99.55	7.96%	-96.09	256.51	B+	B1	NA
BAHAMA 6 11/21/28	82.73	10.50%	-6.08	744.71	B+	B1	NA
BAHAMA 6.95 11/20/29	81.66	11.21%	-12.15	681.27	B+	B1	NA
BAHAMA 9 06/16/29	89.90	11.48%	-4.01	707.01	B+	B1	NA
BAHAMA 8.95 10/15/32	87.07	11.28%	-5.15	716.91	B+	B1	NA
BAHAMA 6 5/8 05/15/33	78.02	10.30%	-20.77	592.42	B+	B1	NA

Barbados

Bond	Price	Yield	Yield Change*	Z-Spread	S&P	Moody's	Fitch
BARBAD 6 1/2 10/01/29	93.70	7.85%	5.00	404.67	B-	NA	B

Bermuda

Bond	Price	Yield	Yield Change*	Z-Spread	S&P	Moody's	Fitch
BERMUD 3.717 01/25/27	93.61	5.92%	78.27	136.40	A+	A2	NA
BERMUD 4 3/4 02/15/29	94.85	5.90%	80.74	149.92	A+	A2	NA
BERMUD 2 3/8 08/20/30	80.13	5.98%	87.71	162.22	A+	A2	NA
BERMUD 5 07/15/32	91.90	6.22%	99.15	185.77	A+	NA	NA
BERMUD 3 3/8 08/20/50	59.81	6.59%	101.69	234.49	A+	A2	NA

Dominican Republic

Bond	Price	Yield	Yield Change*	Z-Spread	S&P	Moody's	Fitch
DOMREP 5 1/2 01/27/25	98.58	6.72%	45.72	149.88	BB	Ba3	BB-
DOMREP 6 7/8 01/29/26	99.92	6.90%	58.20	210.46	BB	Ba3	BB-
DOMREP 5.95 01/25/27	96.63	7.14%	85.83	256.48	BB	Ba3	BB-
DOMREP 6 07/19/28	95.34	7.18%	61.23	275.39	BB	Ba3	BB-
DOMREP 5 1/2 02/22/29	92.39	7.25%	60.29	284.84	BB	Ba3	BB-
DOMREP 4 1/2 01/30/30	86.36	7.26%	51.55	288.18	BB	Ba3	BB-
DOMREP 7.05 02/03/31	97.87	7.43%	48.91	305.45	BB	Ba3	BB-
DOMREP 4 7/8 09/23/32	83.00	7.53%	55.26	317.04	BB	Ba3	BB-
DOMREP 6 02/22/33	90.33	7.46%	44.48	308.81	BB	Ba3	BB-
DOMREP 5.3 01/21/41	75.56	7.93%	56.32	353.48	BB	Ba3	BB-
DOMREP 7.45 04/30/44	93.30	8.13%	54.60	375.30	BB	Ba3	BB-
DOMREP 6.85 01/27/45	87.00	8.15%	48.25	378.35	BB	Ba3	BB-
DOMREP 6 1/2 02/15/48	83.05	8.11%	48.35	378.31	BB	Ba3	BB-
DOMREP 6.4 06/05/49	80.69	8.22%	54.70	391.08	BB	Ba3	BB-
DOMREP 5 7/8 01/30/60	74.41	8.06%	37.42	388.79	BB	Ba3	BB-

Jamaica

Bond	Price	Yield	Yield Change*	Z-Spread	S&P	Moody's	Fitch
JAMAN 7 5/8 07/09/25	101.73	6.51%	8.78	92.02	B+	B2	B+u
JAMAN 9 1/4 10/17/25	105.35	6.29%	66.20	138.16	B+	B2	B+u
JAMAN 6 3/4 04/28/28	102.28	6.16%	59.08	146.91	B+	B2	B+u
JAMAN 8 1/2 02/28/36	108.90	7.38%	84.58	299.18	B+	B2	B+u
JAMAN 8 03/15/39	111.81	6.75%	75.70	230.49	B+	B2	B+u
JAMAN 7 7/8 07/28/45	108.15	7.13%	63.34	277.65	B+	B2	B+u

Trinidad and Tobago

Bond	Price	Yield	Yield Change*	Z-Spread	S&P	Moody's	Fitch
TRITOB 4 3/8 01/16/24	99.55	6.65%	3.16	122.93	BBB-	Ba2	NA
TRITOB 4 1/2 08/04/26	95.86	6.16%	74.45	150.92	BBB-	Ba2	NA
TRITOB 5 7/8 05/17/27	98.41	6.39%	-16.43	186.36	BBB-	Ba2	NA
TRITOB 4 1/2 06/26/30	91.02	6.17%	84.97	180.06	BBB-	Ba2	NA

Source: Bloomberg (BVAL) and CIBC Capital Markets – FICC Strategy.
*Since Aug 4, 2023

Caribbean Economic Review

Caribbean Economic Review

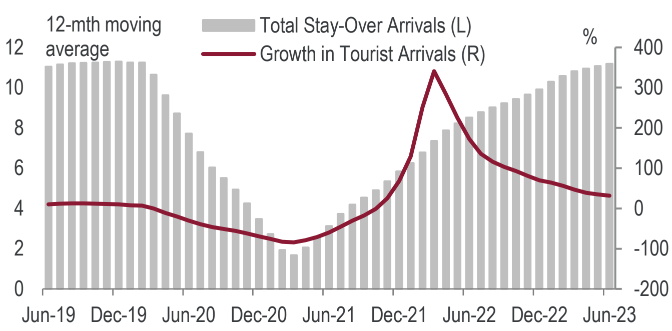
Tiffany Grosvenor-Drakes
CIBC FirstCaribbean

The global economy remained resilient during the first half of 2023 despite the severe headwinds challenging growth prospects. In its October 2023 World Economic Outlook, the IMF indicated that global economic growth outperformed expectations in Q2 largely reflecting a strong performance in the US, and a robust outturn in economies with heavy reliance on travel and tourism. At the same time, the sustained cycle of monetary policy tightening in advanced economies, alongside falling energy and other commodity prices, coincided with noteworthy progress in inflation reduction, though inflation rates generally remained above target levels. With borrowing costs at their highest level in more than 15 years, major Central Banks, including in the US, the UK, and Canada, paused interest rate hikes in Q3, but signalled their readiness to resume tightening if economic conditions warrant. Meanwhile, after retreating from their post-pandemic peak by near 40% in June, oil prices started to swing upward in Q3 attributed to supply concerns. And, with the war in Ukraine still ongoing, the Hamas attack on Israel in early October which precipitated current war in Gaza, has ignited fears of further disruption to energy markets, should it mushroom into a wider conflict in the Middle East.

Notwithstanding the challenges facing the global economic landscape, economic activity in the Caribbean remained on its recovery path thus far in 2023, though at a more moderate pace as it approached pre-pandemic levels. Greater output of hotels and restaurants and construction ushered the expansion in most markets, also effecting growth in related economic sectors. The robust recovery of tourism services echoed the performance of stay-over arrivals to the region, which advanced 27.7% y/y during January to June virtually attaining 2019’s level. When disaggregated by market, arrivals to all markets achieved more than 70% of pre-pandemic levels, with arrivals to half of them, including Aruba, Curaçao, Grenada, Jamaica, St. Lucia and the Turks and Caicos Islands, exceeding those levels. Visitors from the US, the region’s largest source market, continued to dominate the recovery, though preliminary data suggest that US arrivals to some markets slipped y/y during the summer months. However, arrivals from the UK declined y/y curbing recovery progress relative to pre-pandemic levels, while intra-regional travel improved, but remained constrained by high air fares and inadequate connectivity. Cruise passenger arrivals also registered a strong performance during January to June on the back of tepid progress in 2022, with visitors to all markets also reaching more than 70% of 2019’s level and surpassing in The Bahamas, Dominica, St. Vincent, and Aruba. However, the absence of ship calls during the summer months in some of the southern islands limited the rebound of cruise arrivals relative to pre-pandemic levels since then. New and ongoing tourism-related and public infrastructural projects advanced construction output in most markets, while the rebound of alumina production also boosted economic growth in Jamaica. Economic expansion in Guyana sustained its robust momentum bolstered by higher production of crude oil, spillover to non-oil sectors of the economy, and substantial public investment, while greater non-energy output spawned moderate growth in Trinidad and Tobago.

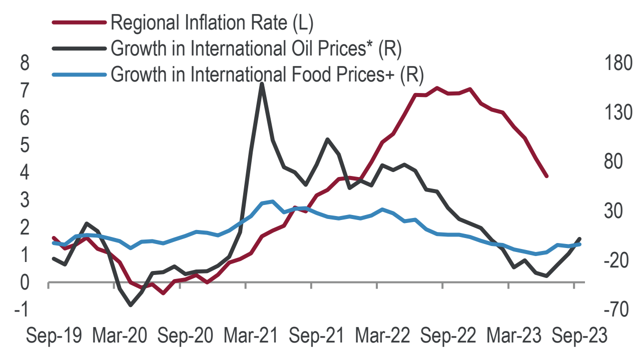
Unemployment rates improved y/y in all markets for which data is available, namely Barbados, Belize, Cayman Islands, Jamaica, and Trinidad and Tobago, falling to record lows in Belize and Jamaica, specifically.

Chart 1: Trends in Regional[1] Tourist Arrivals (mln)



Source: Regional authorities and CIBC FirstCaribbean.

Chart 2: Regional[2] Inflation and Intl. Commodity Prices (y/y; %)



Source: Regional authorities and CIBC FirstCaribbean.

[1] Caribbean region includes Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Maarten and St. Vincent and the Grenadines and Turks and Caicos Islands.

[2] Caribbean region includes Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, Cayman Islands, Curaçao, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines and Trinidad and Tobago.

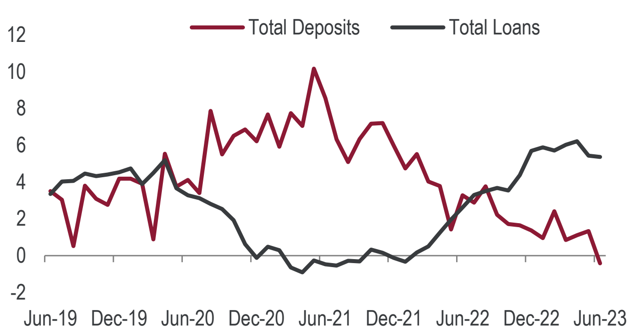
Regional inflation rates continued to soften in Q2, with consumer prices increasing 3.9% y/y in June 2023 compared to 6.5% y/y in December 2022, representing a slower pace of growth in all markets. Declining global energy costs placed downward pressure on the growth of some price categories, primarily transport, utilities and fuel, the prices of which declined in some instances, while the pace of increase of food prices also decelerated but remained elevated for most markets at the end of June. Meanwhile, Jamaica's inflation rate returned to the Bank of Jamaica's (BOJ) target range in September 2023 at 5.9% y/y, after a modest acceleration since April partly due to the impact of high temperatures and drought on food prices. The BOJ continued to maintain its policy rate at 7.00% where it stood since November 2022.

The fiscal positions of most Governments continued to improve, a reflection of recovering revenue collections, withdrawal of COVID-19 expenses, and expenditure restraint in some markets, while public debt-to-GDP ratios generally maintained their post-pandemic decline. In August, the IMF competed its first reviews of Jamaica's Resilience and Sustainability Facility (RSF) and Precautionary and Liquidity Line (PLL), while Standard and Poor's and Moody's upgraded Jamaica's sovereign credit rating to 'BB-' and 'B1' in September and October, respectively. The Government of Barbados reported that it met its primary balance target for first half of FY2023/24 and Moody's upgraded Barbados' sovereign credit rating from 'Caa1' to 'B3' in August, while the Government of Bahamas fiscal deficit likely came below its revised budgeted estimate for FY2022/23, but gross borrowing requirements for the current FY2023/24 continue to suggest elevated financing risk. However, greater spending weakened the Government of Trinidad and Tobago's fiscal outcome, and the Government of Guyana's fiscal deficit widened reflecting the ramping up of its capital investment programme, that was largely supported by parliament-approved withdrawals from its Natural Resource Fund (NRF) and receipts from its first Carbon Credit sales.

FX reserves remained elevated largely supported by robust tourism inflows, increasing y/y in all markets except Aruba, The Bahamas and Trinidad and Tobago. Loan growth at commercial banks quickened over the 12 months to June 2023, reflecting increased credit to both the corporate and personal sectors, including household mortgages, while deposit balances slipped marginally y/y on the heels of declining accumulation over the previous two years. However, excess liquidity of most banking systems remained ample and local currency interest rates generally maintained a downward trend, though they have started to turn upward in few, including Jamaica. Loan quality improved with the non-performing loan ratio declining in all markets except St. Lucia and Grenada, while profitability also increased, and capital adequacy ratios remained above required benchmarks.

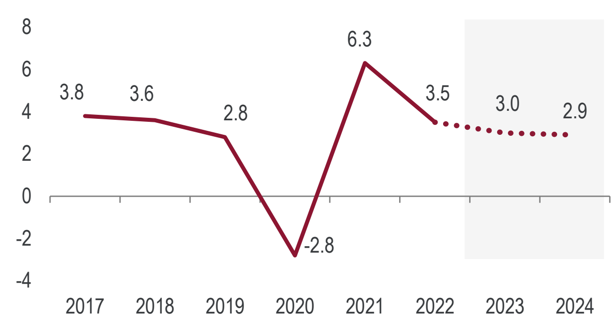
The IMF continues to project that global real GDP growth will decelerate from 3.5% in 2022 to 3.0% in 2023, before softening to 2.9% in 2024 driven to a large extent by the expected, but uneven consequences of monetary policy tightening in advanced economies. Exceptionally, US real GDP is now projected to advance by 2.1% in 2023 – on par with 2022 – before slowing to 1.5% in 2024, both upgrades relative to the IMF's July 2023 World Economic Outlook Update. Inflation in advanced economies is still projected to continue to recede in 2023 and 2024 under the tight stance of central banks, with the gradual easing of policy rates likely commencing in 2024. Meanwhile, the Caribbean's maturing economic recovery continues to imply slower expansions in 2023 and 2024, as growth reverts to normal paces, while regional inflation is also projected to decelerate but remains contingent on the trend of international commodity prices. Notably, the global economic environment remains challenged with significant uncertainty including the impact of the collapse of the Black Sea grain deal in July, potential escalation of Israel-Hamas war, and flaring geopolitical tensions, which could all pose a threat to the outlook.

Chart 3: Regional[3] Loan and Deposit Growth (y/y; %)



Source: Regional authorities, International Monetary Fund and CIBC FirstCaribbean.
* Average of U.K. Brent, Dubai and West Texas Intermediate + International Monetary Fund Food and Beverage Index.

Chart 4: Global Real GDP Growth (%)



Source: International Monetary Fund and CIBC FirstCaribbean.

[3] Caribbean region includes, Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, Cayman Islands, Curaçao, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, Sint. Maarten, St. Vincent and the Grenadines, and Trinidad and Tobago

Antigua and Barbuda

Summary of Key Performance Updates

Real GDP 2022	Stay-over Arrivals Aug 2023 (y-t-d)	Cruise Arrivals Jun 2023 (y-t-d)	Inflation Jun 2023 (y/y)	Debt/GDP Jun 2023
9.5%	12.9%	116%	2.8%	79.7%

Production, Prices, and Employment

Economic output in Antigua and Barbuda likely remained on its recovery path thus far in 2023 spawned by a strong tourism performance, greater construction activity and increased output in related sectors.

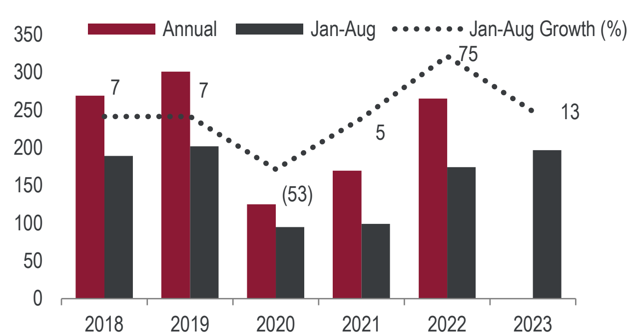
The number of stay-over arrivals expanded 12.9% y/y during January to August attaining 97% of the pre-pandemic level, though arrivals in June, July and August, specifically, declined y/y. Arrivals from the largest source market, the US (representing 50% of the total), grew 13.3% y/y, exceeding the pre-pandemic level by 14%. However, arrivals the from UK, the second largest source market (representing 24% of the total) declined 15.1% y/y, retreating to 94.8% of 2019's level. Meanwhile, arrivals from Canada and the Caribbean (both accounting for 10% of the total) improved during the eight-month period, increasing 118.1% y/y and 41.5% y/y to 78% and 91% of pre-pandemic levels, respectively.

Cruise passenger arrivals more than doubled y/y during January to June reaching 89% of 2019's level, while yacht passenger arrivals continued to advance, growing 91.0% y/y over the six-month period.

Ongoing construction and infrastructural development, including road works, likely supported construction output, while the rebound of tourism services likely continued to generate greater activity in the wholesale and retail trade, and transport storage and communication sectors.

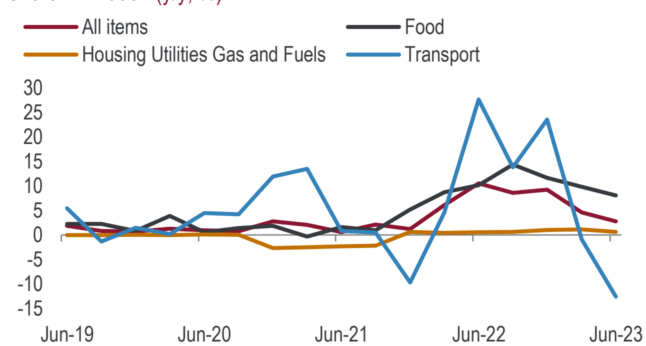
Consumer price inflation slowed to 2.8% y/y in June 2023, after peaking at 9.2% y/y in December 2022. The price of transport fell 12.6% y/y, influenced by a decline in fuel prices, while growth in the price of food and non-alcoholic beverages decelerated to 8.1% y/y relative to 11.6% y/y, six months earlier. The price of housing utilities gas and fuels remained contained (up 0.6% y/y).

Chart 1: Stay-Over Tourist Arrivals (000's)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



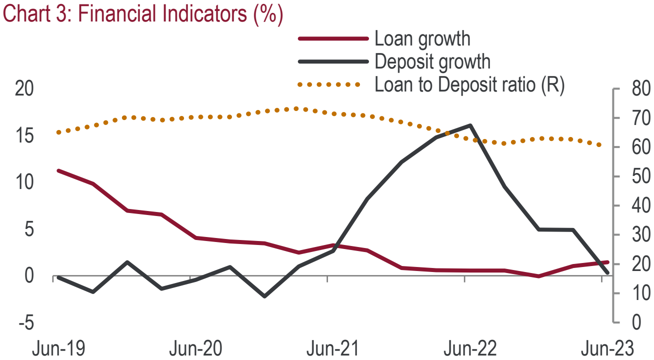
Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean

Developments in Financial Markets

Banks’ outstanding credit balances rose 1.5% over the 12 months to June 2023, bolstered by a 4.6% y/y pick-up in loans to private business entities. However, loans to the public sector declined 2.7% y/y, while lending to individuals slipped 0.1% y/y. Meanwhile, deposit growth slowed to 0.3% y/y, as balances held by individuals rose 0.7% y/y, but corporate and non-resident deposits declined 0.1% y/y and 0.5% y/y, respectively. The loan-to-deposit ratio rose marginally y/y to 62.0% at June 2023.

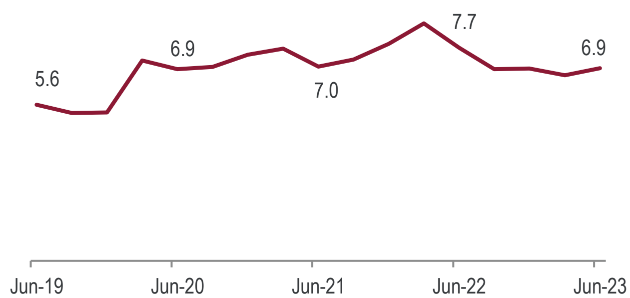
Banks’ weighted average interest rates declined over the 12-month period, with the loan rate falling 48bps y/y to 7.09% and the deposit rate falling 24bps y/y to 1.14% at June 2023. The non-performing loan ratio improved to 6.9% from 7.7% one year earlier, while the annualised return on average assets improved from 0.2% in Q2 2022 to 1.6% in Q2 2023. However, the capital adequacy ratio declined 9.3 percentage points y/y to 23.3% at June 2023.

Chart 3: Financial Indicators (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

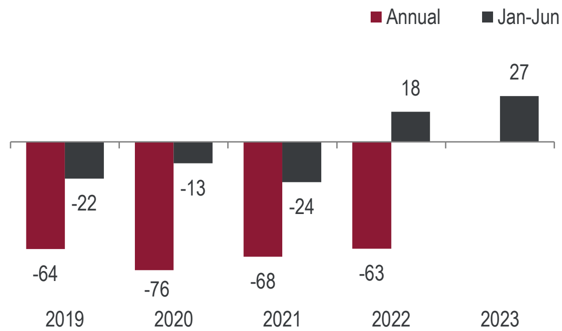
Government Debt

The Government reported a US$9.3mln improvement in its fiscal balance to a US$27.0mln surplus during the first six month of 2023, largely on account of increased tax revenue.

- Current revenue advanced US$7.9mln (4.8% y/y). Non-tax receipts declined US$7.8mln (32.5% y/y) partly suppressed by a US$4.9mln fall-off in Citizenship by Investment (CBI) inflows, but tax receipts expanded US$8.2mln (4.9% y/y). Taxes on income and profits rose US$7.1mln, while taxes on goods and services and international trade and transactions increased US$4.9mln and US$3.1mln, respectively. Property taxes also nudged upward (US$0.5mln). Meanwhile, capital revenue rose US$0.3mln.
- Current spending declined US$2.2mln (1.5% y/y). Outlays for personal emoluments and goods and services rose US$2.2mln and US$4.0mln, respectively, while interest payments and transfers and subsidies fell US$5.4mln and US$2.8mln, respectively. However, capital spending rose, US$1.1mln (29.7% y/y).

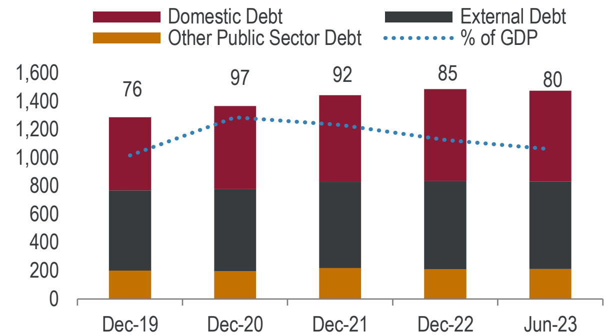
Central Government debt dipped US$10.3mln over the six-month period to US$1.26bln at June 2023, but the debt of public corporations increased US$0.6mln to US$211.8mln, with total public sector debt (US$1.48bln) representing 79.7% of GDP at June 2023, down from 84.5% at the end of 2022.

Chart 5: Fiscal Balance (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 6: Public Debt (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Outlook

Economic activity in Antigua and Barbuda is poised to return to pre-pandemic levels in 2023, as the tourism recovery matures and ongoing projects, largely FDI-financed, boost construction output. The IMF's most recent projections suggest that real GDP will expand by 5.6% in 2023, before a slight deceleration to 5.4% in 2024. After quickening to 7.5% in 2022, domestic inflation is expected to slow to an average of 5.0% in 2023, and 2.9% in 2024. Despite the improved fiscal performance, high debt and financing requirements maintain the challenging fiscal environment, with Government continuing to accumulate arrears to both domestic and external creditors.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	4.3	-17.5	6.6	8.5	5.6	5.4
Inflation[1]	1.4	1.1	1.6	7.5	5.0	2.9
Primary Balance/GDP	-1.2	-3.7	-2.3	-1.2	0.0	0.4
Fiscal Balance/GDP	-4.0	-6.2	-4.6	-3.7	-2.8	-1.9
Government Debt/GDP	81.8	98.2	96.3	86.2	80.5	77.2
External Current Account/GDP	-7.2	-16.3	-15.6	-16.2	-12.5	-7.2
Nominal GDP (US$ bln)	1.7	1.4	1.6	1.8	1.9	1.7

Source: IMF World Economic Outlook Database, October 2023.
[1] Average for the period

Aruba

Summary of Key Performance Updates

Stay-over Arrivals Aug 2023 (y-t-d)	Cruise Arrivals Aug 2023 (y-t-d)	Inflation Aug 2023 (y/y)	FX Reserves Jun 2023	Debt/GDP Jun 2023
12.3%	66.4%	0.5%	31 weeks	84.6%

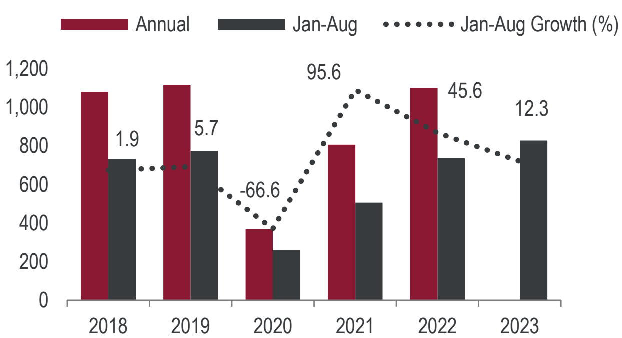
Production, Prices, and Employment

After recovering to pre-pandemic levels in 2022, economic activity in Aruba likely continued to advance thus far in 2023, though at a more moderate pace, due to the maturing tourism rebound. The number of stay-over arrivals increased 12.3% y/y during January to August rising 7% above the corresponding 2019 level. Visitors from the US, accounting for 78% of the total rose 9.4% y/y, while arrivals from Canada, representing 5% climbed 77.4% y/y. However, visitors from the Netherlands declined 23.2% y/y. Cruise passenger arrivals increased 66.4% y/y during the eight-month period, 5% higher than pre-pandemic levels, while ship calls rose 12.0% y/y.

Greater construction output also likely supported economic activity during January to June as cement imports rose 6.2% y/y, while the number and value of construction permits granted increased 10.7% y/y and 22.8% y/y, respectively.

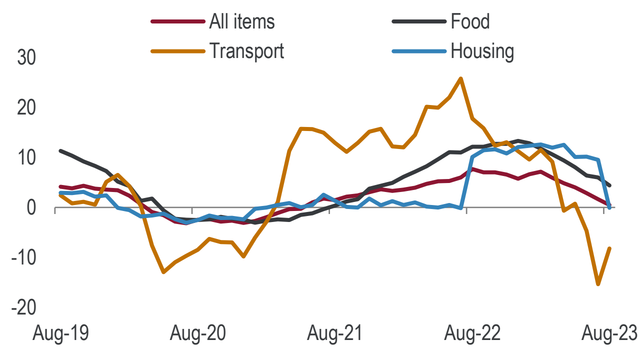
Domestic inflation decelerated to 0.5% y/y in August 2023, after peaking at 7.7% y/y one year earlier. The price of food increased 4.4% y/y, but the prices of housing and transport fell 0.1% y/y and 8.2% y/y, respectively.

Chart 1: Stay-over Arrivals (000's)



Source: Centrale Bank van Aruba and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



Centrale Bank van Aruba and CIBC FirstCaribbean.

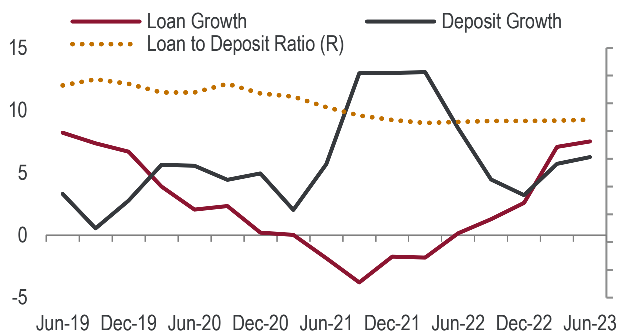
Developments in Financial Markets

Commercial banks' loan balances climbed 7.5% over the 12 months to June 2023. Lending to private enterprises advanced 14.1% y/y, while lending to individuals rose 5.0% y/y as a 6.2% expansion in housing mortgages overshadowed a 1.4% y/y decline in consumer loans. Banks' deposits increased 6.2% y/y, as demand and savings deposits rose 9.5% y/y and 3.2% y/y, respectively, but time deposits fell 0.9% y/y. The loan-to-deposit ratio rose marginally y/y to 64.1% at June 2023.

Banks' weighted average interest rate on loans fell 20bps y/y to 6.2%, while the rate on deposits declined 110bps y/y to 1.5% at June 2023. The non-performing loan ratio fell from 4.4% at June 2022 to 2.3% at June 2023, while the return on assets rose 0.1 percentage points y/y to 0.5% in Q2. The regulatory capital to risk-weighted assets ratio dipped 6.7 percentage points y/y to 31.9% at June but remained far in excess of the 16% requirement.

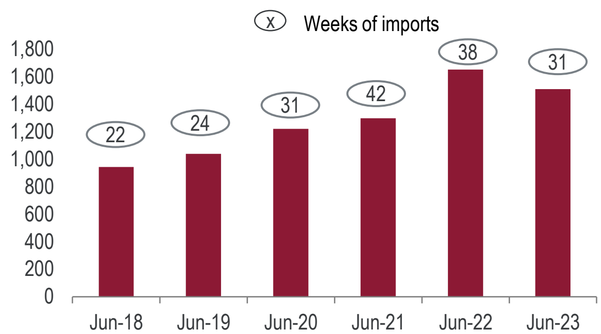
Net foreign assets at the Centrale Bank van Aruba (CBA) declined US$142.2mln (8.6% y/y) to US$1.51bln at June 2023, representing 31 weeks of imports of goods and services.

Chart 3: Financial Indicators (%)



Source: Centrale Bank van Aruba and CIBC FirstCaribbean.

Chart 4: Net Foreign Assets



Source: Centrale Bank van Aruba and CIBC FirstCaribbean.

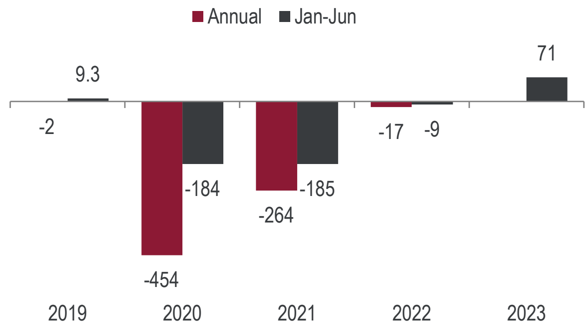
Government Debt

The Government's fiscal balance improved by US$80.7mln to a US$71.3mln surplus during January to June 2023.

- Revenues expanded US$111.3mln (31.0% y/y), the combined result of higher tax receipts (up US$97.2mln or 29.9% y/y) and non-tax receipts (up US$14.1mln or 40.5% y/y). The increased collection of tax revenues was largely broad-based, with taxes on income and profits, the turnover tax, and taxes on services climbing US$34.8mln, US$28.8mln and US$19.9mln, respectively. Taxes on commodities and the foreign exchange tax also increased, up US$8.0mln and US$5.5mln, respectively, while taxes on property nudged upward US$0.1mln.
- Public spending increased US$31.1mln (8.5% y/y). Transfers and subsidies declined US$1.6mln, but wages and wage subsidies rose US$10.7mln and US$10.5mln, respectively, while payments for goods and services and interest expanded US$4.2mln and US$6.1mln, respectively.

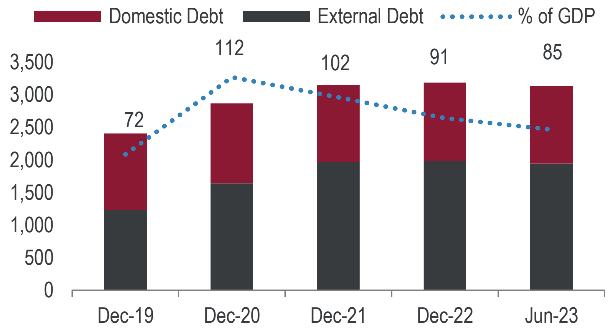
Government debt contracted US$47.9mln during the half-year to US$3.15bln at June 2023. Domestic debt dipped US$4.9mln to US$1.20bln, while external debt declined US$43.2mln to US$1.95bln. The overall debt to GDP ratio improved to 84.6%.

Chart 5: Government Financial Balance (US$ mln)



Source: Centrale Bank van Aruba and CIBC FirstCaribbean.

Chart 6: Government Debt (US$ mln)



Source: Centrale Bank van Aruba and CIBC FirstCaribbean.

Outlook

The IMF's latest estimates suggest that economic activity in Aruba will expand by 2.3% in 2023 and 1.2% in 2024. Meanwhile, the CBA expects that despite an anticipated increase in tourism activity and investment, elevated inflation and a lower number of public sector employees will weigh on public and private consumption, moderating real GDP growth to 0.4% in 2023, before a pick-up to 1.2% in 2024. However, the Government's 2023 Budget suggests that its fiscal reforms will lead to a US$35.2mln (0.9% of GDP) fiscal surplus in 2023. Government intends to maintain fiscal surpluses over the medium-term, which would allow for a gradual reduction in government debt. The Netherlands agreed to refinance the loans offered as liquidity support during the pandemic that were due in October 2023 at favourable terms provided that several conditions were met, including agreement to a Kingdom Act, in which financial supervision would be permanently regulated. In the absence of an agreement, Aruba was offered refinancing at a market benchmarked interest rate of 6.9%, based on its credit rating, but could qualify for a lower interest rate if an agreement is reached.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	-2.3	-24.0	27.6	10.5	2.3	1.2
Inflation[1]	3.9	-1.3	0.7	5.5	4.5	2.3
Unemployment Rate	5.2	8.6	8.8	6.6	8.5	8.4
Primary Balance/GDP	3.5	-11.1	-4.8	3.4	4.5	4.5
Fiscal Balance/GDP	-0.2	-16.2	-9.2	-0.5	0.8	0.2
Government Debt/GDP	71.1	112.3	101.8	90.1	82.9	80.2
External Current Account/GDP	2.6	-12.4	2.7	11.1	9.5	10.5
Nominal GDP (US$ bln)	3.4	2.6	3.1	3.5	3.8	4.0

Source: IMF World Economic Outlook Database, October 2023.
[1] Average for the period

The Bahamas

Summary of Key Performance Updates

Air Arrivals Aug 2023 (y-t-d)	Sea Arrivals Aug 2023 (y-t-d)	Inflation Jul 2023 (y/y)	FX Reserves Aug 2023	Debt/GDP Jun 2023
22.3%	63.6%	2.3%	24 weeks	84.8%

Production, Prices, and Employment

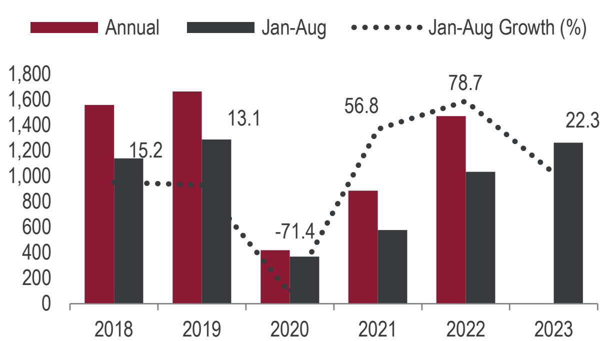
Economic activity in The Bahamas likely continued to expand thus far in 2023, albeit at a slower pace, supported by a strong tourism performance. Air arrivals advanced 22.3% y/y during January to August representing 98% of the pre-pandemic peak in 2019. Arrivals to New Providence representing 76% of the total rose 21.4% y/y, while arrivals to Family Islands and Grand Bahama representing 21% and 3%, rose 22.6% y/y and 47.0% y/y, respectively. Departure data from the Nassau Airport Development Company indicate that total departures (net of domestic passengers) increased 26.8% y/y during the eight-month period, with US departures (around 85% of the total) up 26.9% y/y, and non-US departures up 26.2% y/y. Meanwhile, sea arrivals continued to perform exceptionally, climbing 63.6% y/y during January to August, surpassing 2019's level by 42%, and supported by the redevelopment of the cruise port in Nassau.

New and ongoing FDI-financed projects likely supported construction output in Q2, while preliminary indicators of domestically financed activity imply an uptick. Mortgage disbursements reported by banks, insurance companies and the Bahamas Mortgage Corporation for new construction and repairs rose 5.6% y/y as residential disbursements increased 11.7% y/y to US$20.2mln, but commercial disbursements fell 96.6% y/y to US$0.04mln. However, the volume and value of mortgage commitments for new buildings and repairs, an indicator of forthcoming activity, fell by 28.1% y/y and 18.2% y/y, respectively, at the end of Q2.

Latest available data from the Bahamas Department of Statistics indicate that the unemployment rate came in at 8.8% in May 2023. The rate in New Providence stood at 8.9%, while the rate in Grand Bahama and Abaco stood at 10.8% and 7.1%, respectively.

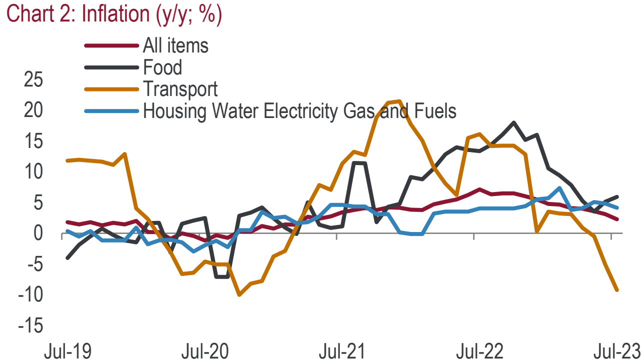
Consumer price inflation slowed to 2.3% y/y in July 2023 after peaking at 7.1% y/y one year earlier. Of the larger sub-indices, the price of food rose 5.9% y/y, while the prices of housing, utilities and fuel, and miscellaneous goods and services increased 4.2% and 5.2%, respectively. However, the price of transport declined 9.2% y/y.

Chart 1: Air Arrivals (000's)



Source: Bahamas Ministry of Tourism and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



Source: Central Bank of The Bahamas, Bahamas Department of Statistics, CIBC FirstCaribbean.

Developments in Financial Markets

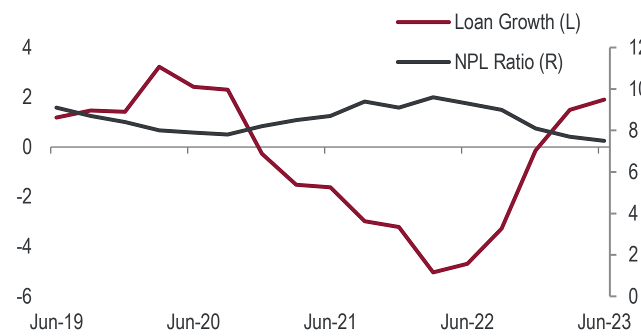
Domestic banks' credit growth improved modestly over the 12 months to June 2023 with loan balances advancing 1.9%. Corporate loans expanded 3.3% y/y as higher balances to private business entities (up 13.2% y/y) largely to the distribution, transport, tourism, and financial sectors outweighed a 7.3% y/y fall-off in lending to public sector. Mortgage lending dipped 0.8% y/y, but consumer loans increased 3.7% y/y lifting total personal loans 1.4%. Deposits held in local currency rose 1.7% y/y, as balances of individuals rose 6.2% y/y, but balances to public and private business entities declined. Deposits denominated in foreign currency largely held by non-residents declined 18.4% y/y.

Excess liquidity remained high, but banks' local excess cash reserves slipped US$114.2mln (5.6% y/y) to US$1.93bln, approximately 23% of local currency deposits, while surplus liquid assets declined US$15.8mln y/y to US$2.89bln at June 2023. Banks' weighted average lending rate fell 26bps y/y to 11.19% at June 2023, while the weighted average deposit rate declined 4bps y/y to 0.47%.

Private sector non-performing loan balances declined 15.9% y/y at August 2023 contributing to a decline in the corresponding ratio to total loans to 7.0% from 8.4% one year earlier. Banks' provisions to non-performing loans declined from 95.6% to 89.9% over the same period.

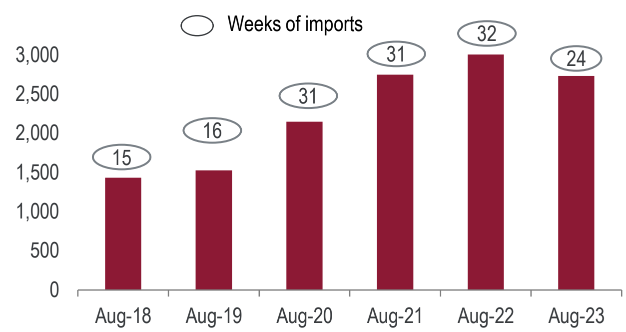
FX reserves at the Central Bank of Bahamas fell US$537.8mln y/y but rose US$119.3mln year-to-date to US$2.73bln at the end of August 2023, equivalent to approximately 24 weeks of imports of goods and services.

Chart 3: Financial Indicators (%)



Source: Central Bank of The Bahamas, CIBC FirstCaribbean.

Chart 4: External Reserves (US$ mln)



Source: Central Bank of The Bahamas, CIBC FirstCaribbean.

Government Debt

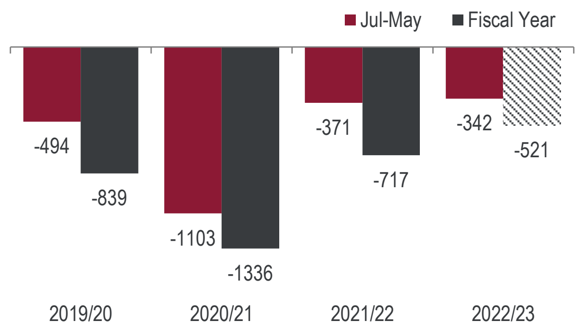
Increased public spending largely offset an expansion in revenue collection narrowing the Government's fiscal deficit by US$28.7mln (7.7% y/y) to US$342.1mln during the first eleven months of FY2022/23 ended May 2023, while net financing operations for the full year suggest that Government's fiscal deficit likely came in below its revised budgeted estimate of US$520.6mln for FY2022/23.

- Tax revenue advanced US$324.9mln (18.5% y/y). Taxes on international trade and transactions grew US$178.9mln (40.0% y/y), US$88.0mln related to an expansion in departure taxes, while taxes on taxes on goods and services rose US$134.3mln, as excise taxes declined US$43.9mln, but VAT receipts and other taxes on goods and services rose US$110.8mln and US$26.2mln, respectively. Property taxes also rose (up US$14.6mln), but other taxes slipped US$2.8mln. However non-tax receipts contraction US$99.1mln (24.0% y/y), partly reflecting the normalisation of receipts following the return of a capital subvention during the previous fiscal year.
- Current spending climbed US$152.2mln (6.0% y/y). Interest on public debt climbed US$66.9mln (14.3% y/y) primarily on account of higher external payments (up US$66.1mln), while outlays for compensation of employees, and goods and services rose US$70.0mln and US$54.7mln, respectively. Social assistance benefits declined US$63.1mln (23.2% y/y), but subsidies and other current spending increased US$7.2mln and US$16.9mln respectively. Capital expenditure expanded US$45.8mln (22.3% y/y).

Government's net financing operations during FY2022/23 resulted in a US$463mln expansion, largely reflecting a US$460mln increase in domestic funding. Net domestic financing included US$118mln in Central Bank advances, US$73mln in short-term Treasury Bills/Notes, US$114mln in longer-term bonds, though the value of such bonds with maturity up to five years rose US$207.3mln, and the US$232mln Special Drawing Rights (SDR) loan from the Central Bank. On the external side, amortization payments largely offset new borrowing, which included US$260mln in multilateral funding (from the Inter-American Development Bank (IDB) and Caribbean Development Bank (CDB)).

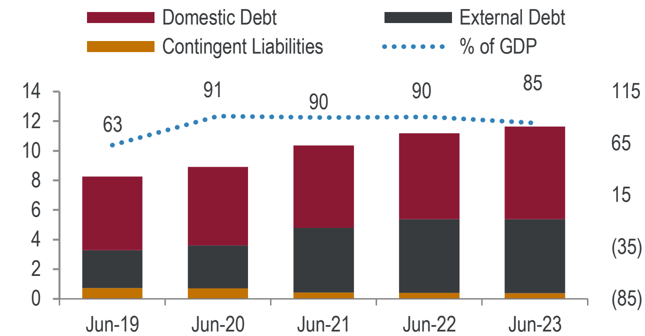
Consequently, domestic central government debt increased US$459.5mln to US$6.26bln, while external debt rose US$3.2mln to US$5.00bln, with total central government debt representing 81.9% of GDP at June 2023. National debt, including contingent liabilities rose to US$11.65bln or 84.8% of GDP.

Chart 5: Fiscal Balance (US$ mln)



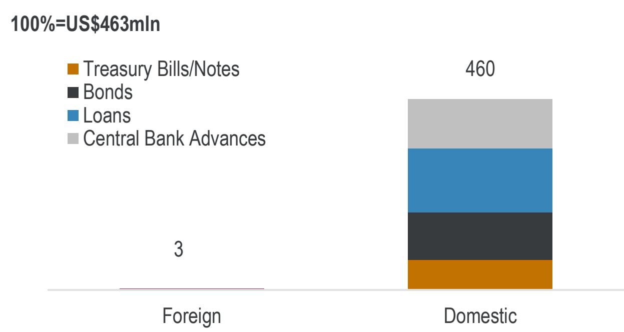
Source: Central Bank of The Bahamas, Bahamas Ministry of Finance, CIBC FirstCaribbean.

Chart 6: Government Debt (US$ bln)



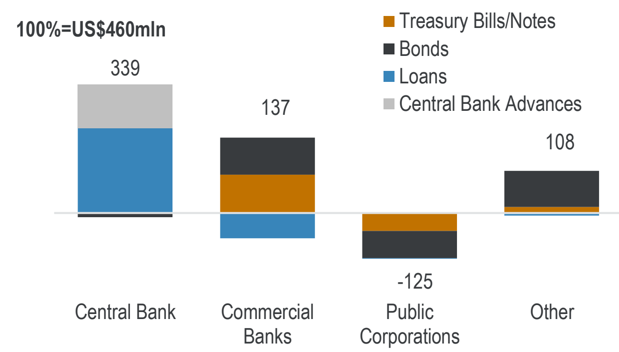
Source: Central Bank of The Bahamas, Bahamas Ministry of Finance, CIBC FirstCaribbean.

Chart 7: Net Financing: Foreign vs Domestic (Jul 2022 – Jun 2023)



Source: Central Bank of The Bahamas, Bahamas Ministry of Finance, CIBC FirstCaribbean.

Chart 8: Net Domestic Financing by Holder (Jul 2022 – Jun 2023)



Source: Central Bank of The Bahamas, Bahamas Ministry of Finance, CIBC FirstCaribbean.

Outlook

The Bahamian economy is expected to continue to expand led by gains in the tourism sector and supported by FDI-financed construction output. The IMF's most recent estimates suggest that real GDP will grow by 4.3% in 2023, before slowing to 1.8% growth in 2024. Expected job gains in these two sectors imply improved labour market conditions, while domestic inflation is also expected to continue to wane. Government expects to reduce its deficit to US$131.1mln in FY2023/24, but gross borrowing requirements for FY2023/24 remain large at around 15.5% of GDP. Government plans to rely on external sources of financing for 45% of the requirement, primarily through bank loans and international financial institutions.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	-0.7	-23.5	17.0	14.4	4.3	1.8
Inflation[1]	2.5	0.0	2.9	5.6	3.9	3.2
Unemployment Rate	10.1	26.2	17.6	10.8	8.8	8.8
Primary Balance/GDP[2]	0.8	-4.4	-9.0	-1.3	0.6	1.6
Fiscal Balance/GDP[2]	-1.7	-7.4	-13.1	-5.8	-3.6	-2.8
Government Debt/GDP[2]	60.3	75.3	100.0	88.9	84.2	83.7
External Current Account/GDP	-2.2	-23.4	-21.1	-13.6	-9.5	-8.8
Nominal GDP (US$ bln)	13.1	9.8	11.5	12.9	13.9	14.5

Source: IMF World Economic Outlook Database, October 2023.
[1] Average for the period; [2] Fiscal year basis [July to June (of stated year)]

Barbados

Summary of Key Performance Updates

Real GDP Q3 2023 (y-t-d)	Unemployment Q2 2023	Inflation Jul 2023 (y/y)	FX Reserves Sep 2023	Debt/GDP Sep 2023
4.4%	**8.5%**	**4.3%**	**30 weeks**	**115%**

Production, Prices, and Employment

The Central Bank of Barbados (CBB) estimates indicate that real GDP advanced 4.4% y/y over the first nine months of 2023. The expansion was largely broad-based but increased output of tourism (up 13.8% y/y), distribution (up 5.2% y/y), transport (up 2.7% y/y), business and other services (up 3.6% y/y) and construction (up 6.2% y/y) drove the outturn.

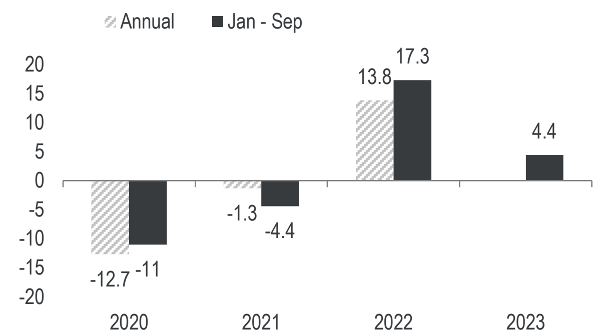
Stay-over arrivals increased 18.7% y/y falling short of pre-pandemic levels by 13%. Arrivals from the UK accounting for 37% of the total rose 3.1% y/y reaching 98% of 2019's level, while arrivals from the US, accounting for 29%, rose 14.7% y/y reaching 77%. Arrivals from Canada and the Caribbean registered a strong rebound during the nine-month period, growing 49.9% y/y and 64.0% y/y to 88% and 87% of pre-pandemic levels respectively, the latter boosted by the Crop Over festival and the Caribbean Premier League cricket tournament. Cruise passenger arrivals more than doubled y/y but the absence of vessels during the summer months limited the performance relative to 2019, only reaching 67%.

Increased visitor traffic supported growth of wholesale and retail trade and transport, while ongoing tourism projects and public sector road works boosted construction activity, while output of agriculture and manufacturing also advanced.

The unemployment rate improved to 8.5% in Q2, compared to 9.3% on year earlier. The number of employed persons fell by 3,400 persons, but the labour force declined by 5,000 persons, partly reflecting an increase in the number of retired persons.

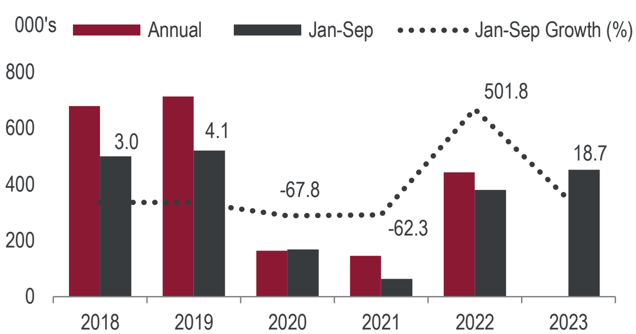
Growth in consumer prices slowed to 4.3% y/y in July 2023 after peaking at 6.7% y/y in May 2022. Declining international energy prices led to a fall-off in the gasoline and electricity sub-indices, but the impact of lingering drought conditions on the price of local produce kept food inflation elevated, while increased demand supported higher prices for dining and entertainment activities.

Chart 1: Real GDP (%)



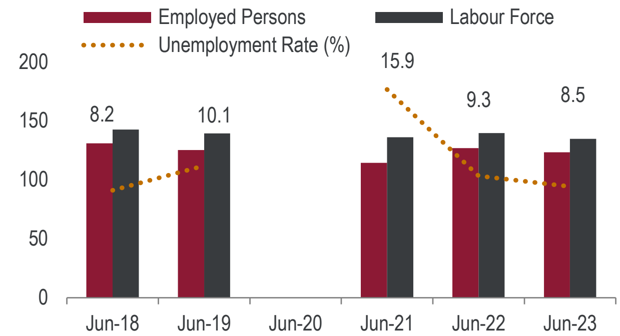
Source: Central Bank of Barbados, Barbados Statistical Service and CIBC FirstCaribbean.

Chart 2: Stay-over Arrivals (000's)



Source: Central Bank of Barbados, Barbados Tourism Marketing Inc., and CIBC FirstCaribbean.

Chart 3: Labour Market Indicators (000's)



Source: Central Bank of Barbados, Barbados Statistical Service and CIBC FirstCaribbean.

Chart 4: Inflation (y/y; %)

Source: Central Bank of Barbados, Barbados Statistical Service and CIBC FirstCaribbean.

Financial Markets

Credit outstanding of Deposit taking institutions (DTIs) climbed 5.9% over the 12 months to June 2023, a significant quickening relative to the previous 12-month period, when credit balances increased 1.1%. Lending by commercial banks dominated the expansion (up 6.8% y/y), while balances of credit unions, and trust and finance companies rose 4.9% y/y and 1.2% y/y, respectively. Credit to the public sector rose accounting for 34% of the expansion, largely reflecting Government's debt-for-nature swap, while greater lending mostly in support of hotels and restaurants, distribution, construction and real estate and other business activities bolstered balances to the private sector, which accounted for at least another 29%. Household mortgages and consumer loans grew more modestly with the increase primarily concentrated in credit unions. DTI's deposit growth slowed to 1.4% y/y as transferable deposits rose 1.9%, but other deposits declined 2.7%.

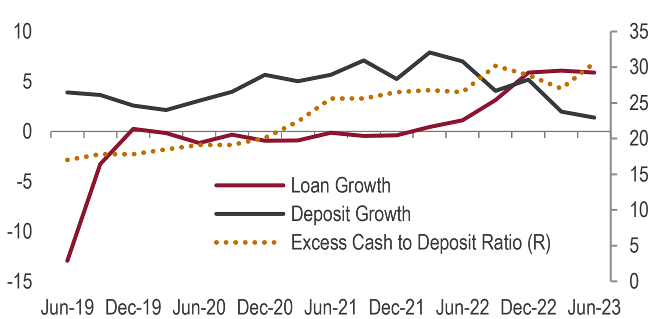
Excess liquidity in the commercial banking system steadied but remains exceptionally high. The local excess cash-to-domestic deposits ratio slipped marginally y/y to 29.2% at June 2022 while latest available data suggest it slipped to 28.7% at September 2023.

Interest rates in the banking system remained low. The weighted average loan rate fell 13bps y/y to 5.47% at June 2023, while the weighted average interest rate on mortgage loans, in particular, fell 11bps y/y to 4.56%. The weighted average deposit rate rose 1bps y/y to 0.15%.

Banks' loan quality improved further – the non-performing loan ratio declined to 4.9% at September 2023 from 5.9% at December 2022, and 6.2% one year earlier – while profitability improved as the 12-month return on average assets increased by 0.9 percentage points y/y to 2.0% at September 2023. The capital adequacy ratio stood at 18.6%.

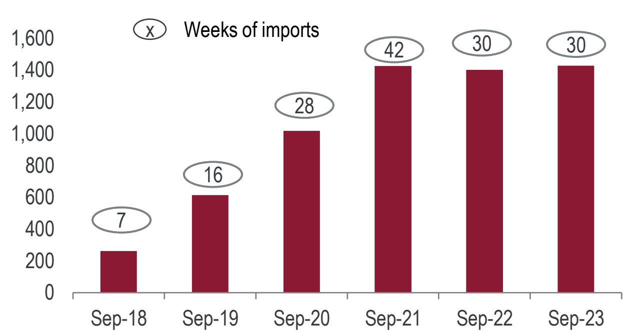
Gross international reserves expanded US$44.1mln since December 2022 and US$26.1mln y/y to US$1.43bln at September 2023, approximately 30 weeks of imports of goods and services. Higher tourism earnings coupled with inflows from multilateral agencies, including the IMF, supported the expansion.

Chart 5: Financial Indicators (%)



Source: Central Bank of Barbados and CIBC FirstCaribbean.

Chart 6: Gross International Reserves (US$ mln)



Source: Central Bank of Barbados and CIBC FirstCaribbean.

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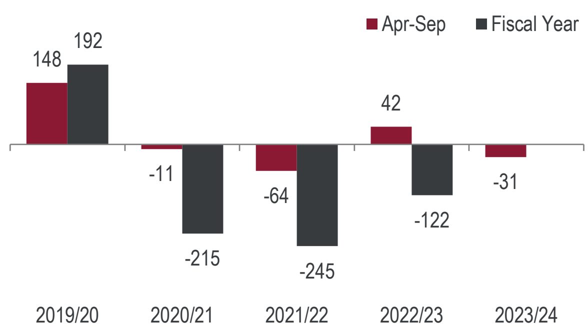
Government Debt

Lower receipts coupled with higher spending led to a US$73.0mln deterioration of the fiscal balance to a US$30.6mln deficit during the first six months of FY2023/24 ended September 2023. The primary surplus declined by US$30.6mln to US$137.4mln but surpassed the US$109mln target set under the IMF Extended Fund Facility.

- Total revenue declined US$30.1mln (3.9% y/y). Non-tax receipts fell US$12.1mln (22.8% y/y), while tax receipts dropped US$18.1mln (2.5% y/y). Indirect taxes expanded US$47.5mln mostly because of higher collections of VAT (up US$15.8mln), excise taxes (up US$19.6mln) and the fuel tax (up US$8.1mln). However, direct taxes contracted US$65.5mln largely because of a US$40.2mln fall-off in property tax receipts due to the later issuance of land-tax bills relative to FY2022/23, while corporate income receipts came in US$25.1mln lower, attributed to higher tax-prepayments during Q3 of the previous fiscal year, reflecting the return to compliance with the Barbados Revenue Authority's (BRA) pre-payment policy. The discontinuation of the pandemic levy also lowered tax receipts by US$14.0mln. However, personal income receipts rose US$14.9mln in line with higher compensation and employment.
- Current spending climbed US$37.8mln (5.3% y/y) primarily reflecting a US$42.4mln increase in interest payments, US$32.4mln of which related to external debt attributed to higher international interest rates, while the step-up rates on domestic restructured debt also pushed up domestic payments. Outlays for wages and salaries rose US$7.1mln partly due to recently negotiated increases, but payments for goods and services and transfers and subsidies fell US$6.1mln and US$5.7mln, respectively, though transfer to public institutions specifically rose US$16.2mln. Capital spending rose US$5.1mln (15.4% y/y) largely reflecting outlays for water, road, and energy projects.

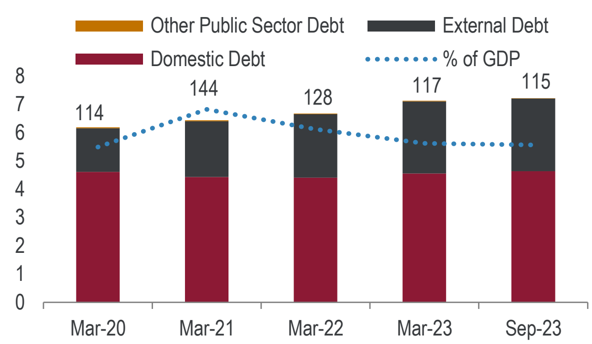
In addition to the funding from multilateral institutions, financing requirements for the six-month period were met using deposits at the CBB (US$72.3mln) and proceeds from BOSS+ bonds (US$78.9mln) and Treasury Bills (US$1.0mln) – the CBB restarted the issuance of Treasury Bills in September 2023. Public debt rose US$93.8mln since March 2023 to US$7.22B at September 2023, but improved from 116.5% to 115.4% of GDP. In August, Moody's upgraded Barbados' sovereign credit rating from 'Caa1' to 'B3' maintaining the stable outlook citing declining debt and reduced liquidity risk, while Standard and Poor's revised its outlook from stable to positive in October and affirmed its 'B-' rating.

Chart 7: Primary Balance (US$ mln)



Source: Central Bank of Barbados and CIBC FirstCaribbean.

Chart 8: Public Debt (US$ bln)



Source: Central Bank of Barbados and CIBC FirstCaribbean.

Outlook

The CBB's and the IMF's latest projections suggest that real GDP growth will moderate to around 4.5% in 2023, surpassing pre-pandemic levels of output. The upcoming winter tourist season is expected to bolster activity in Q4, alongside increased construction output. Inflation is also projected to decelerate relative to the post-pandemic peak but remains contingent on the trend of international commodity prices. Government is targeting a 3.5% primary surplus for FY2023/24, which is expected gradually increase to 5.0% by FY2025/26.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	-0.5	-13.3	-0.2	9.8	4.5	3.9
Inflation[1]	2.3	0.5	1.5	5.0	5.2	3.1
Primary Balance/GDP[2]	6.0	-1.0	-0.9	2.5	3.5	4.0
Fiscal Balance/GDP[2]	3.6	-4.8	-4.8	-2.1	-1.7	-1.2
Government Debt/GDP[2]	119.0	148.8	135.1	122.5	115.0	107.5
External Current Account/GDP	-2.8	-5.9	-11.2	-11.1	-8.5	-7.8
Nominal GDP (US$ bln)	5.3	4.7	4.8	5.7	6.2	6.7

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period; [2] Fiscal year basis [April (of stated year) to March]

Belize

Summary of Key Performance Updates

Real GDP H1 2023	Stay-over Arrivals Aug 2023 (y-t-d)	Inflation Aug 2023 (y/y)	FX Reserves Jul 2023	Debt/GDP Jun 2023
5.6%	23.7%	3.4%	17 weeks	67%

Production, Prices, and Employment

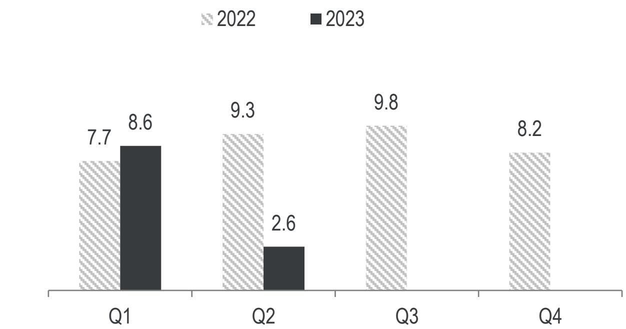
The Statistical Institute of Belize (SIB) estimates that the real economy expanded 2.6% y/y in Q2 spawning 5.6% y/y growth over the first half of 2023. Output of accommodation and food services led the expansion, increasing 28.1% y/y, with stay-over and cruise passenger arrivals climbing 26.3% y/y and 63.0% y/y to 91% and 76% of pre-pandemic levels, respectively. The upsurge in visitor traffic likely contributed to greater activity in the transportation (up 25.1% y/y) and wholesale and retail (up 4.7% y/y) sectors, while financial and insurance activity and construction output rose 12.9% y/y and 16.0% y/y. However, agriculture forestry and fishing production declined 6.7% y/y, largely reflecting lower output of sugar cane, citrus, and bananas.

Since then, stay-over arrivals increased 23.7% y/y over January to August representing 92% of the corresponding 2019 level, while cruise passenger arrivals rose 65.5% y/y representing 76%.

Domestic consumer inflation softened to 3.4% y/y in August 2023 relative to 7.4% y/y one year earlier. The price of food and non-alcoholic beverages climbed 12.2% y/y, but the price of transport fell 8.4% y/y.

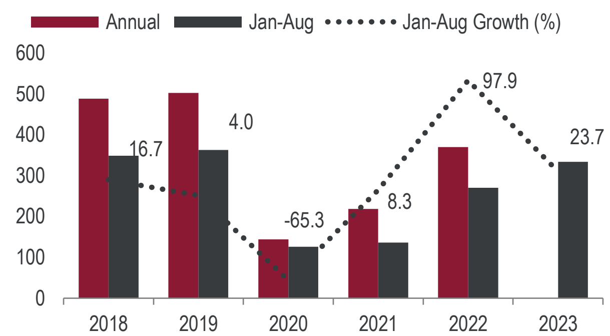
The unemployment rate improved from 5.0% in October 2022 to 2.8% in April 2023, the lowest level on record. The rate for males stood at 1.9%, while rate for females stood at 4.2%. The number of persons employed increased by 7,953 (4.4%), while the labour force expanded by 3,868 (2.0%). The labour force participation rate stood at 58.5%, marginally lower than in October 2022.

Chart 1: Real GDP (y/y; %)



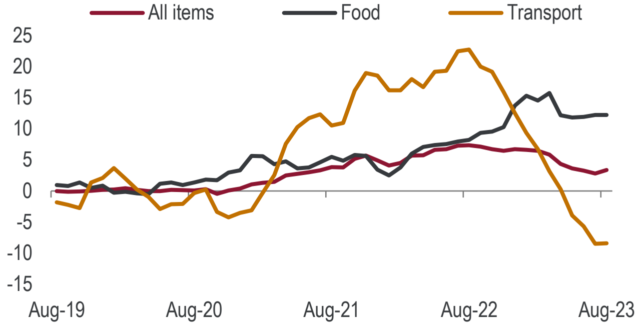
Source: Statistical Institute of Belize and CIBC FirstCaribbean.

Chart 2: Stay-over Arrivals (000's)



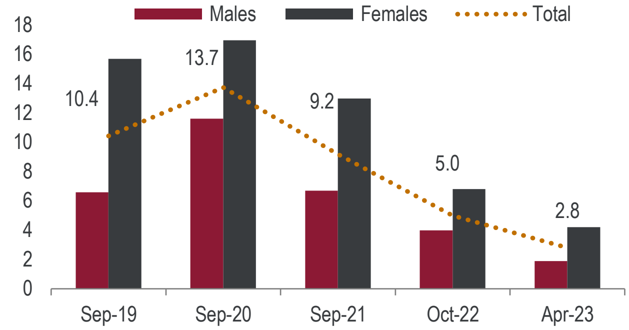
Source: Belize Tourism Board and CIBC FirstCaribbean.

Chart 3: Inflation (y/y; %)



Source: Statistical Institute of Belize and CIBC FirstCaribbean.

Chart 4: Unemployment Rate (%)



Source: Statistical Institute of Belize and CIBC FirstCaribbean.

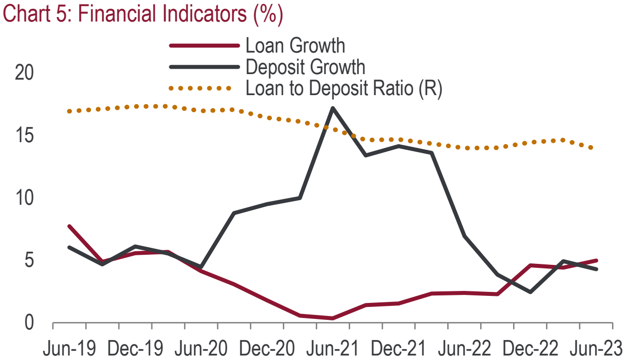
Developments in Financial Markets

Domestic banks' loan balances advanced 5.0% over the 12 months to June 2023, with corporate lending accounting for 71% of the expansion, largely reflecting greater credit to the real estate, manufacturing, and distribution sectors. Personal loans increased 9.4% y/y, while lending for building and construction rose 2.0% y/y. Banks' deposit balances expanded 4.3% y/y, as deposits of individuals rose 7.3%, and corporate deposit balances increased 2.7%. The loan-to-deposit ratio stood at 63.3%, while the weighted average loan rate increased 5bps y/y to 8.44% at June 2023, but the weighted average deposit rate fell 1bps y/y to 1.15%.

Banks' loan quality improved as the non-performing loan ratio declined to 5.6% in June 2023, relative to 6.1% in June 2022, while profitability increased as the return on average assets rose from 0.4% in Q2 2022 to 1.8% in Q2 2023. The capital adequacy ratio rose marginally y/y to 16.5% at June, well above the 9% statutory requirement.

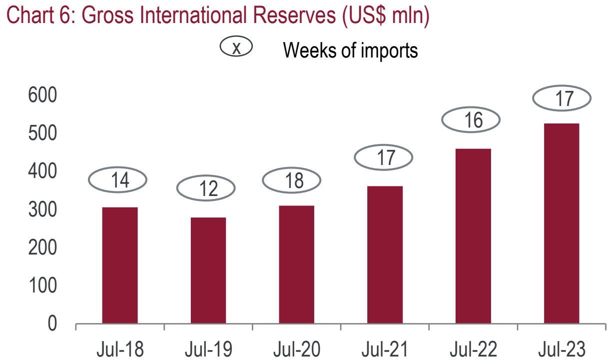
Gross international reserves expanded US$65.8mln y/y to US$524.7mln at July 2023, approximately 17 weeks of import cover.

Chart 5: Financial Indicators (%)



Source: Central Bank of Belize and CIBC FirstCaribbean.

Chart 6: Gross International Reserves (US$ mln)



Source: Central Bank of Belize and CIBC FirstCaribbean.

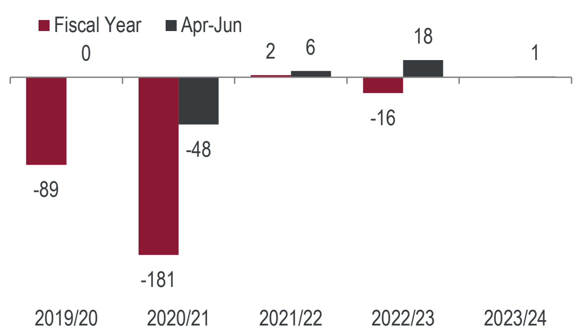
Government Debt

Increased public spending overshadowed a greater collection of tax revenue generating a US$16.7mln reduction in the fiscal surplus to US$0.8mln over the first three months of FY2023/24 ended June 2023.

- Current receipts increased US$11.2mln (6.6% y/y) as tax revenue rose US$13.8mln (8.8% y/y) but non-tax revenue fell US$2.6mln (18.7% y/y). Taxes on goods and services expanded US$14.3mln, while taxes on income and profits rose US$3.0mln, but taxes on international trade and transactions, and property dipped US$3.4mln and US$0.2mln, respectively. Capital revenue remained largely on par y/y, but grants received fell US$0.1mln.
- Public spending increased US$27.8mln (18.0% y/y). Current spending rose US$20.6mln (16.6% y/y) reflecting increased outlays across all expense categories, except subsidies and current transfers, which declined US$0.9mln. payments for wages and salaries, goods and services, interest, and pensions rose US$6.1mln, US$6.5mln, US$6.8mln and US$2.1, respectively. Capital spending increased US$7.2mln (24.0% y/y).

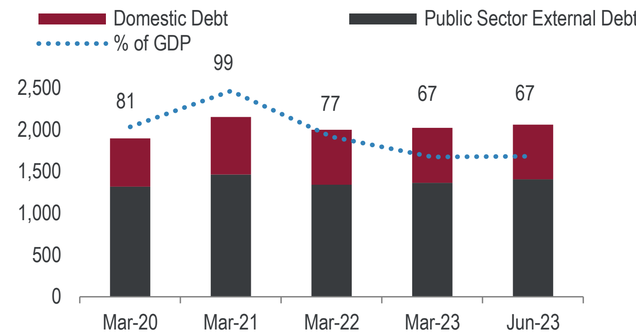
Central Government domestic debt declined US$1.3mln since March 2023 to US$655.2mln at June 2023, but public sector external debt rose US$42.7mln to US$1.41bln, reflecting an increase in multilateral and bilateral debt. Total public debt stood at US$2.06bln or 67.0% of GDP.

Chart 7: Fiscal Balance (US$ mln)



Source: Central Bank of Belize and CIBC FirstCaribbean.

Chart 8: Public Debt (US$ mln)



Source: Central Bank of Belize and CIBC FirstCaribbean.

Outlook

The IMF projects that economic activity in Belize will moderate to 4.0% in 2023 and 3.0% in 2024, and inflation will slow to 3.7% in 2023 and 1.7% in 2024. The IMF also anticipates that the primary surplus will stabilise at around 1.2% of GDP over the medium term, with public debt retreating to 53% of GDP by 2028. However, the slowing of economic output in major trading partners and the ongoing uncertainty associated with current geopolitical tensions remain sources of downside risk to Belize's economic outlook.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	4.5	-13.4	15.2	12.7	4.0	3.0
Inflation[1]	0.2	0.1	3.2	6.3	3.7	1.7
Unemployment Rate	9.0	13.7	10.2	6.1	2.8	2.8
Primary Balance/GDP[2]	-0.3	-6.7	-1.8	0.9	1.2	1.2
Fiscal Balance/GDP[2]	-2.9	-8.4	-3.2	-0.7	-0.5	-0.6
Public Debt/GDP[2]	77.5	101.4	80.1	63.4	59.3	57.3
External Current Account/GDP	-7.6	-6.2	-6.3	-7.3	-6.1	-6.0
Nominal GDP (US$ bln)	2.4	2.1	2.5	3.0	3.2	3.4

Source: IMF World Economic Outlook Database, October 2023.
[1] Average for the period; [2] Calendar year basis

Cayman Islands

Summary of Key Performance Updates

Real GDP Q1 2023	Air Arrivals Aug 2023 (y-t-d)	Unemployment Spring 2023	Inflation Q2 2023 (y/y)	Debt/GDP Aug 2023
3.4%	83.3%	2.4%	4.1%	7.7%

Production, Prices, and Employment

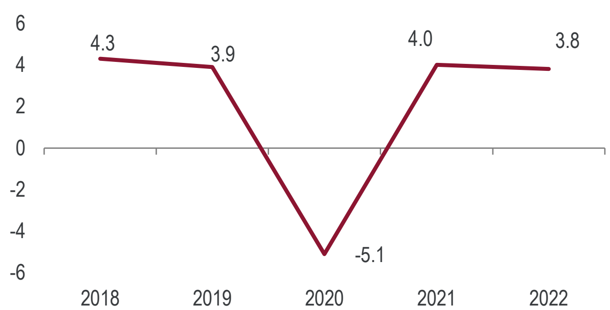
Following a 3.8% increase in 2022, the Cayman Islands Government reported that preliminary indicators suggest real GDP growth of 3.4% y/y in Q1 2023. The expansion was largely driven by greater output of hotels and restaurants, and transport, storage, and communication, while the steady performance of the financial services sector, the main driver of economic activity, also contributed to the outturn.

Since then, tourism activity continued to rebound robustly, though performance may be limited due to not yet fully recovered air seating capacity and the inability to accommodate some of the newer, larger ships, which could limit the number of ship calls into the Cayman Islands. Air arrivals advanced 83.3% y/y during January to Augus, reaching 83% of the corresponding pre-pandemic level. Arrivals from the US, accounting for 84% of total arrivals, rose 87.8% y/y to 83% of pre-pandemic levels, while arrivals from Canada and the UK increased 87.7% y/y and 24.7% y/y to 94% and 88%, respectively. Cruise passenger arrivals and ship calls climbed 133.1% y/y and 129.3% y/y during the eight-month period, both achieving 70% of 2019's level.

The Spring 2023 Labour Force Survey Report indicates that the unemployment rate improved to 2.4% from 3.0% in Spring 2022. The unemployment rate for Caymanians specifically declined from 5.1% to 3.7%.

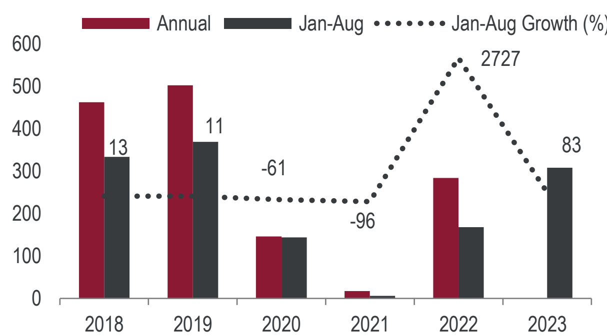
Consumer price inflation slowed to 4.1% y/y in Q2 2023 after peaking at 12.1% y/y one year earlier. Growth of major price categories softened including food (up 7.0% y/y), housing and utilities (up 6.0% y/y) and transport (down 0.1% y/y).

Chart 1: Real GDP (%)



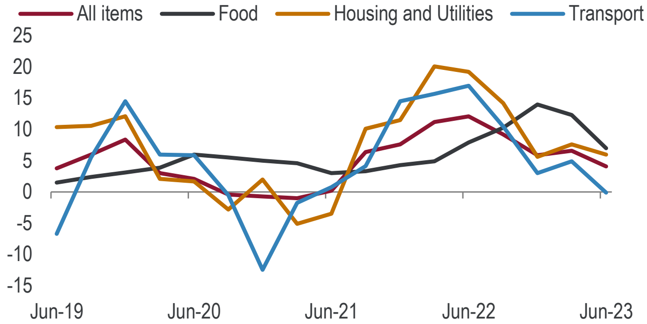
Source: Cayman Islands Economic and Statistics Office and CIBC FirstCaribbean.

Chart 2: Air Arrivals (000's)



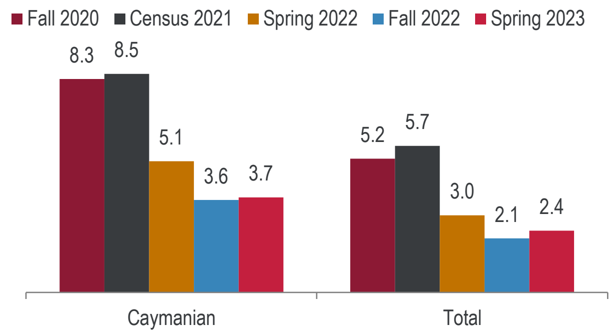
Source: Cayman Islands Department of Tourism and CIBC FirstCaribbean.

Chart 3: Inflation (y/y; %)



Source: Cayman Islands Economic and Statistics Office and CIBC FirstCaribbean.

Chart 4: Unemployment Rate (%)



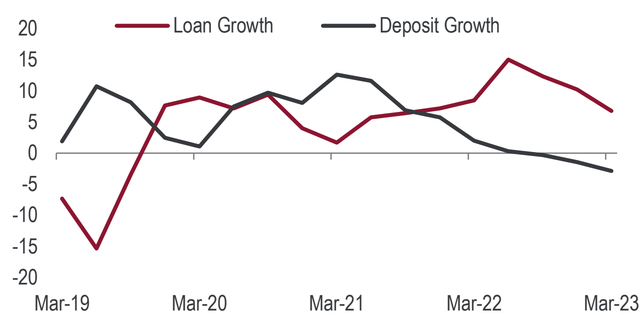
Source: Cayman Islands Economic and Statistics Office and CIBC FirstCaribbean.

Developments in Financial Markets

Retail banks' loans to residents increased 6.8% over the 12 months to March 2023. Corporate balances climbed 12.0% y/y primarily because of a 115.6% y/y expansion in lending to the Government, while credit to private business entities contracted 4.4% y/y. Personal loans rose 3.7% y/y largely driven by a 4.2% y/y increase in mortgage lending, while consumer loans nudged upward 0.5% y/y.

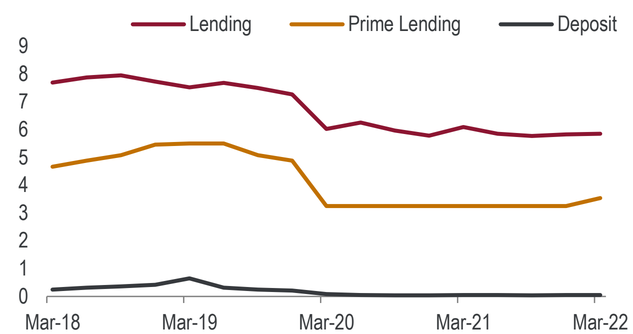
Residents' deposit balances declined 2.9% y/y as balances of individuals fell 6.2% y/y, and corporate deposits dipped 1.5% y/y.

Chart 5: Financial Indicators (%)



Source: Cayman Islands Monetary Authority and CIBC FirstCaribbean.

Chart 6: Interest Rates (%)



Source: Cayman Islands Economic and Statistics Office and CIBC FirstCaribbean.

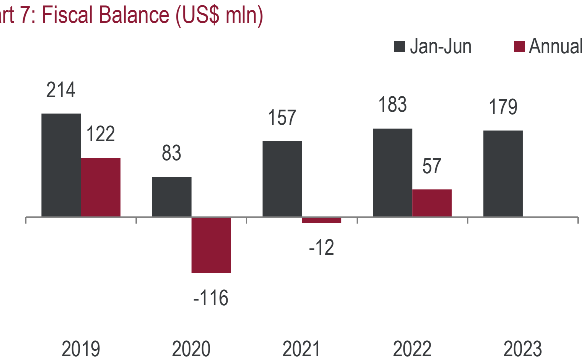
Government Debt

The Cayman Islands Government reported a US$4.6mln narrowing of its fiscal surplus to US$178.9mln during the first six months of 2023.

- Revenue expanded US$23.1mln (3.0% y/y). Tax receipts advanced US$8.5mln (1.2% y/y) as collections on goods and services and international trade and transactions rose US$17.2mln and US$14.5mln, respectively, but taxes on property and other taxes fell US$20.3mln and US$2.9mln, respectively. Non-tax revenue climbed US$14.6mln (54.0% y/y) mostly because of a US$14.5mln uptick in investment revenue.
- Current spending increased US$15.1mln (2.6% y/y). Expenditure on personnel costs, subsidies, and supplies and consumables rose US$20.8mln, US$14.8mln and US$10.1mln, respectively, while interest payments rose US$4.1mln. However, transfer payments contracted US$18.5mln, while other expenses declined US$16.8mln. Meanwhile, net capital spending and net lending rose Su$12.6mln (171.3% y/y) US$1.0mln.

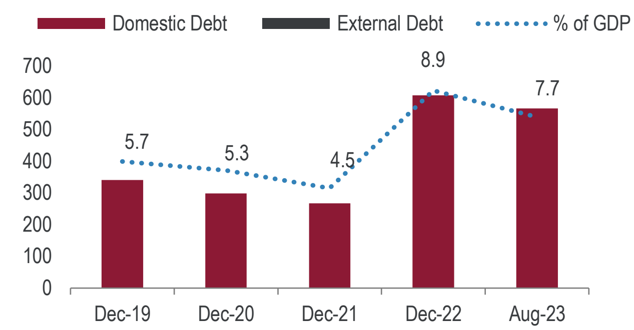
Since then, the Government reported an operating surplus of US$134.5mln during January to August 2023, noting it was a continuation of the performance trend observed during the first six months of the year. Government debt declined US$41.6mln since December 2022 to US$566.0mln (7.7% of GDP) at August 2023, among the lowest in the region. Government's bank balances stood at US$744.6mln at the end of the same period.

Chart 7: Fiscal Balance (US$ mln)



Source: Cayman Islands Economic and Statistics Office and CIBC FirstCaribbean.

Chart 8: Government Debt (US$ mln)



Source: Cayman Islands Economic and Statistics Office and CIBC FirstCaribbean.

Outlook

The Cayman Islands Department of Economics and Statistics projects real economic growth of 3.1% in 2023 and 2.2% in 2024 buoyed by the anticipated continued rebound of tourism activity, spillover to related sectors, and the continued growth of the financial services sector, expected to grow by 1.2% on average in both years. The unemployment rate is forecasted to average 2.5% in 2023 and 2024, while domestic inflation is expected to slow to an average of 5.2% in 2023 and 2.5% in 2024. Government's latest projections suggest a US$74.1mln operating surplus for 2023, before broadening to US$92.9mln in 2024, with debt expected to fall to US$486.0mln, all remaining in compliance with the Principles of Responsible Financial Management as set out in the Public Management and Finance Act (2020).

Curaçao

Summary of Key Performance Updates

Real GDP Q1 2023	Stay-over Arrivals Sep 2023 (y-t-d)	Inflation Aug 2023 (y/y)	FX Reserves Sep 2023	Debt/GDP Mar 2023
4.4%	17.8%	1.5%	20 weeks	70.1%

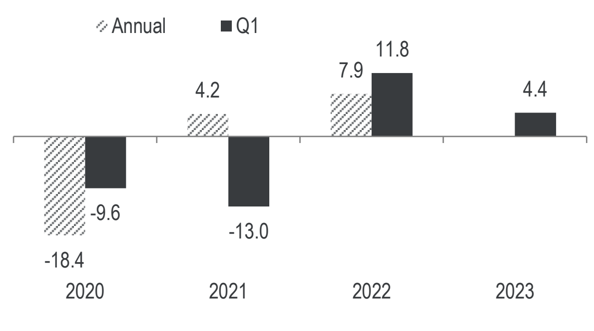
Production, Prices, and Employment

The Centrale Bank van Curaçao en Sint Maarten (CBCS) estimates real GDP expanded by 4.4% y/y during Q1 2023, a slower pace relative to 11.8% y/y in Q1 2022. Output of accommodation and food services led the expansion (up 33.6% y/y) with tourism developing into a more prominent share of economic activity supported by the recent opening of new resorts. Stay-over arrivals rose 22.4% y/y and 7% above pre-pandemic levels, while cruise arrivals increased 120.7% y/y and 15% above pre-pandemic levels. The expansion in commercial landings and passenger traffic led to an increase in airport-related activities which boosted output of transport storage and communication (up 16% y/y) but was moderated by a fall-off in harbor activities as the impact of fewer container movements overshadowed the rise in the number cruise and other vessels piloted into the port. Output of wholesale and retail trade also rose during the quarter (up 8.6% y/y) largely reflecting the hike in tourist spending but was attenuated by a fall-off in domestic spending, largely attributed to higher consumer prices. Ongoing projects in the distribution, tourism and real estate sectors led to a 5.8% y/y upswing in construction output, but the manufacturing sector plummeted 53.7% y/y mainly because of a decline in ship-repair activities, partly due to financial challenges that led to reduced capacity at the shipyard.

Since then, stay-over arrivals advanced 17.8% y/y during January to September, and 21% above the corresponding 2019 level. Arrivals from the US, representing 64% of the expansion, rose 62.5% y/y, while arrivals from Canada and South America also increased. However, arrivals from the Netherlands, Curaçao's largest source market declined 16.6% y/y. Cruise arrivals continued to expand, growing 53.8% y/y during the first nine months of the year.

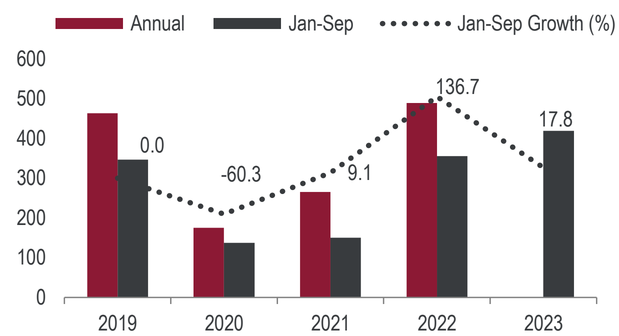
Consumer inflation slowed to 1.5% y/y in August 2023 after peaking at 9.3% y/y in September 2022. The price of food climbed 12.6% y/y, but the prices of transportation and communication, and housing and utilities declined 14.0% y/y and 1.7% y/y, respectively.

Chart 1: Real GDP (%)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean

Chart 2: Stay-over Arrivals (000's)



Source: Curaçao Tourist Board and CIBC FirstCaribbean.

Developments in Financial Markets

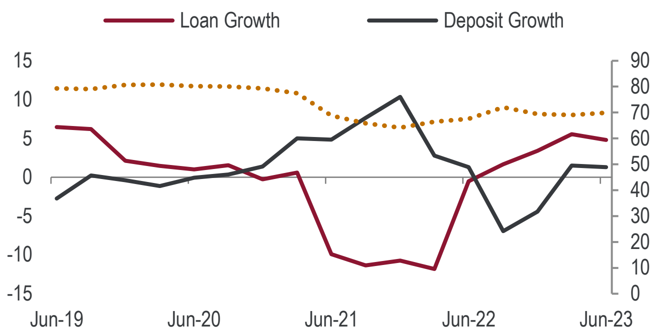
Commercial banks' credit balances rose 4.8% over the 12 months to June 2023 reflecting increased credit to both the personal and corporate sectors. Personal mortgages dipped 2.7% y/y, but consumer loans advanced 14.0% y/y, while corporate loans increased 4.9% y/y primarily because of increased credit to private business entities. Banks' deposit balances increased 1.3% y/y as holdings of individuals and corporate entities rose 3.4% y/y and 0.4% y/y, respectively, but non-resident balances fell 2.4% y/y. The loan-to-deposit ratio rose from 67.6% at June 2022 to 69.9% at June 2023.

Overall, for the Monetary Union, the current account balance of commercial banks at the CBCS contracted US$59.0mln (17.1% y/y) to US$291.8mln at July 2023. The CBCS reserve requirement remained unchanged at 19.00%.

In September, the CBCS tightened its monetary stance further by increasing its pledging rate by 25bps to 5.57%, in response to the Fed rate hike in July, aimed at mitigating capital outflows.

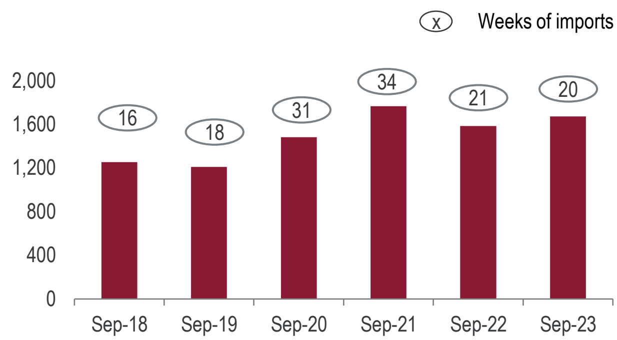
Gross official FX reserves of the Monetary Union rose US$86.6mln y/y to US$1.67bln (approximately 20 weeks of imports of goods and services) at September 2023.

Chart 3: Financial Indicators (%)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Chart 4: Gross International Reserves (excluding gold) (US$ mln)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

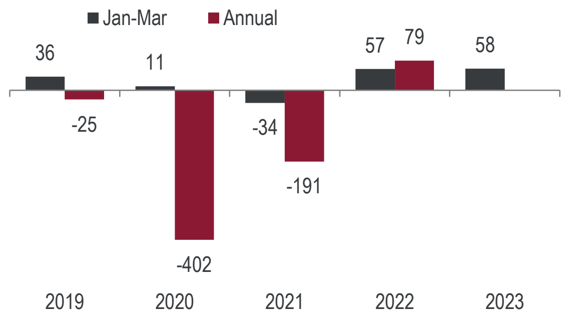
Government Debt

The Government recorded a modest US$1.2mln improvement in its current budget surplus to US$58.3mln during the first three months of 2023. However, unprocessed expenditures imply that the actual budget balance could be less favourable that reported.

- Tax receipts increased US$3.1mln (1.3% y/y) reflecting greater economic activity, higher prices, and enhanced tax compliance, but non-tax collections fell US$1.2mln (8.6% y/y) moderating the increase in total revenue to US$1.9mln (0.8% y/y). Taxes on goods and services rose US$7.3mln (30.2% y/y) while taxes on international trade and transactions increased US$4.1mln. However, taxes on income and profits and property fell US$5.6mln and US$3.0mln, respectively.
- Public spending rose US$0.7mln (0.3% y/y) as reduced payments for wages and salaries (down US$3.9mln) and other expenditures (down US$0.2mln) largely offset greater outlays for goods and services (up US$3.6mln) and interest on public debt (up US$1.1mln). Expenditure on transfers and subsidies remained on par y/y.

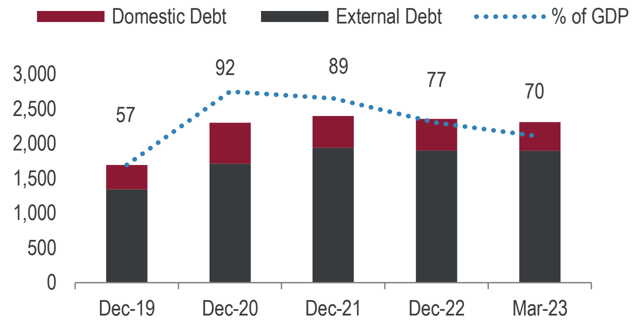
Government debt declined US$45.4mln since December 2022 to US$2.31bln (70.1% of GDP) at March 2023. Domestic debt fell US$40.8mln reflecting the settlement of arrears to creditors, the social security bank (SVB), and the public pension fund (APC), while foreign debt decreased US$4.6mln.

Chart 5: Budget Balance (US$ mln)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Chart 6: Government Debt (US$ mln)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Outlook

The CBCS' latest projections suggest that real GDP growth will moderate to 3.8% in 2023 and 3.4% in 2024 as overall output continues to progress toward pre-pandemic levels. Greater activity in the construction and real estate sectors is anticipated to drive the expansion, while increased air capacity and hotel room stock are also expected to support higher output of tourism services. Unemployment will likely continue to improve supported by the growing economy, and domestic inflation is expected to decelerate to its historical average in the absence of further shocks. The Bank expects that public debt will fall to 68.5% of GDP in 2024. The Netherlands agreed to refinance the loans offered as liquidity support during the pandemic that were due in October 2023 provided that several conditions were met including a rescue plan for the pension insurer Ennia, that was placed under CBCS' administration in 2018. The Government rejected an additional loan from the Dutch Government to enable a restart of Ennia, deciding to wind down the insurer's operations, and received short-term refinancing at a higher interest rate of 5.1%.

Table 1: Key Indicators and Projections

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	-3.4	-18.0	4.2	7.9	3.8	3.4
Inflation	2.6	2.2	3.8	7.4	3.6	2.7
Unemployment Rate	17.4	19.1	20.5	13.1	12.0	10.8
Budget Balance/GDP	-0.8	-15.8	-7.0	2.6	1.5	1.2
Public Debt/GDP	56.5	90.8	87.8	76.7	71.7	68.5
Nominal GDP (US$ bln)	3.0	2.5	2.7	3.1	3.3	3.5

Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Dominica

Summary of Key Performance Updates

Real GDP 2022	Stay-over Arrivals Jun 2023 (y-t-d)	Cruise Arrivals Jun 2023 (y-t-d)	Inflation Jun 2023 (y/y)	Debt/GDP Jun 2023
5.7%	**58.2%**	**81.7%**	**3.6%**	**96.0%**

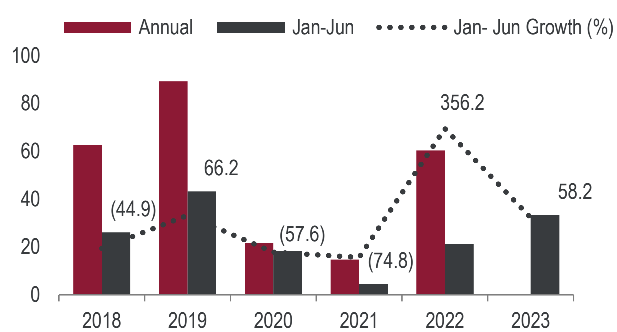
Production, Prices, and Employment

Economic recovery in Dominica likely continued to progress during the first half of 2023. Tourism rebounded with stay-over arrivals expanding 58.2% y/y to 77% of pre-pandemic levels, though arrivals in June specifically, declined y/y. Arrivals from the US and Canada increased 3.1% y/y and 50.6% y/y, both surpassing pre-pandemic levels, while arrivals from the UK rose 44.6% y/y reaching 85% of the pre-pandemic level. However, while arrivals from the Caribbean, Dominica's largest source market climbed 52.7% y/y, they remained 51% below 2019's level, attributed to high air fares and inadequate connectivity in the region. Cruise passenger arrivals increased 81.7% y/y exceeding 2019's level by 14%, while yacht passenger arrivals almost tripled during the half-year.

The uptick in tourism services likely propelled activity in related sectors, including wholesale and retail trade and transport storage and communication, while ongoing private and public projects, including the Government's Climate Resilience Investment Agenda, likely continued to support construction output. Agriculture output also likely expanded, supported by a 15.7% y/y increase in domestic exports of food and live animals.

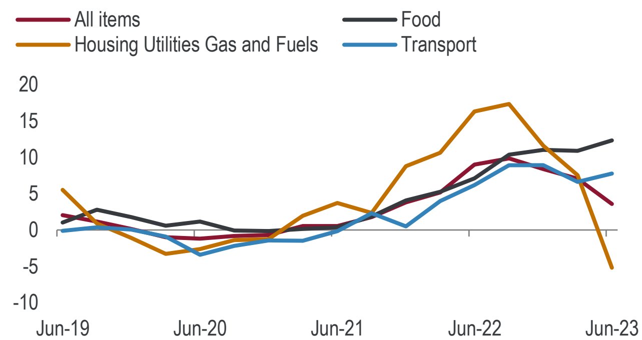
Domestic inflation slowed to 3.6% in June 2023 after peaking at 9.9% y/y in September 2022, largely driven by a 5.2% y/y decline in housing utilities gas and fuels. However, the price of food rose 12.3% y/y, and the price of transport increased 7.8% y/y.

Chart 1: Stay-Over Arrivals (000's)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



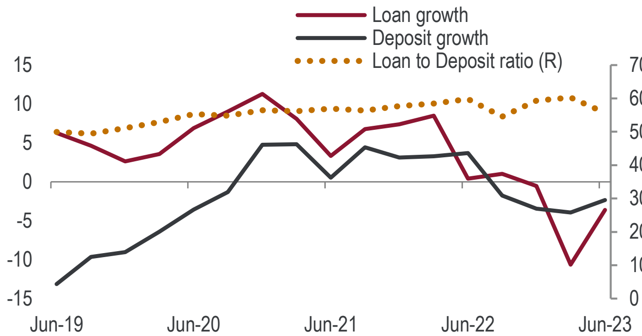
Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Developments in Financial Markets

Commercial banks' loans outstanding declined 3.6% over the 12 months to June 2023. Credit to the public sector increased 10.6% y/y, but loans to individuals and private entities fell 4.4% y/y and 10.8% y/y, respectively, while loans to non-residents declined 18.1% y/y. Meanwhile, deposit balances decreased 2.4% y/y. Corporate balances increased 1.9% y/y, but balances of individuals fell 4.2% y/y, while non-resident holdings declined 12.3% y/y. The loan-to-deposit ratio fell marginally y/y to 53.8% at June 2023.

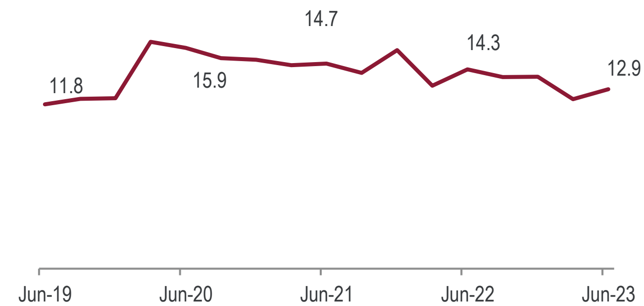
Banks' weighted average loan rate declined 127bps y/y to 5.98% at June, while the weighted average deposit rate rose 2bps y/y to 1.56%. Loan quality improved, as the non-performing loan ratio declined from 14.3% in June 2022 to 12.9% at June 2023, but rose slightly relative to one quarter earlier, while the annualised return on average assets increased from -0.8% in Q2 2022 to 0.1% in Q2 2023.

Chart 3: Financial Indicators (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

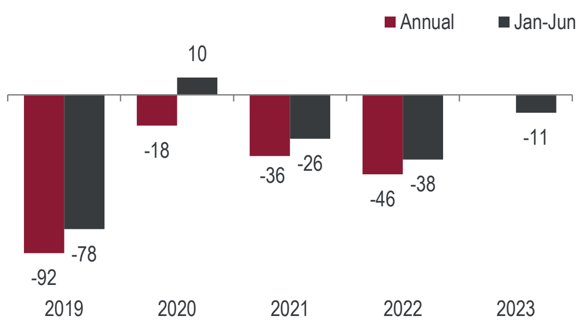
Government Debt

The Government's fiscal deficit narrowed by US$27.2mln to US$10.5mln during January to June 2023 largely reflecting a significant decline in capital spending, that outweighed a sizeable fall-off Citizenship by Investment (CBI) receipts.

- Current revenue contracted US$70.1mln (35.1% y/y). A US$79.1mln fall-off in CBI revenue underpinned a similar decline in non-tax revenue which overshadowed a US$9.8mln expansion in tax receipts. Taxes on income and profits, goods and services, and international trade and transactions rose US$3.1mln, US$4.1mln and US$2.5mln, respectively, while property tax collections registered a US$0.2mln uptick. Meanwhile, grant revenue also declined, down US$13.7mln during the half-year.
- Government reduced its capital spending by US$101.0mln (78.4% y/y), while current spending fell US$10.1mln (7.9% y/y). Payments for transfers and subsidies and interest payments increased US$3.9mln and US$0.4mln, respectively, but outlays for goods and services and personal emoluments fell US$9.2mln and US$5.2mln, respectively.

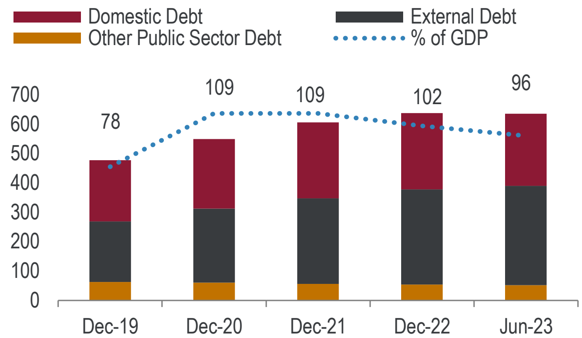
Central Government debt dipped US$0.5mln since December 2022 to US$583.8mln at June 2023, while the debt of public corporations fell US$2.2mln to US$51.9mln. Consequently, public debt stood at US$635.7mln at June, representing 96.0% of GDP.

Chart 5: Fiscal Balance (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 6: Public Debt (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Outlook

On its current path, the IMF projects that real economic activity will expand by 4.6% in 2023, returning to pre-pandemic levels of output in 2024, with 4.6% growth. A full recovery of tourism services, greater output in agriculture and manufacturing reflecting Government's efforts to boost food production, and ongoing construction of resilient infrastructure is expected to support the expansion. Other public projects including the construction of the international airport and the geothermal energy project, estimated to cost 59% and 25% of 2022 GDP, respectively, are also expected to support growth over the next few years, but rely heavily on unpredictable CBI receipts. Domestic inflation is projected to slow to 2.8% in 2024, but the IMF expects that public debt will remain high over the medium-term.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	5.5	-16.6	6.9	5.7	4.6	4.6
Inflation[1]	1.5	-0.7	1.6	6.8	6.2	2.8
Primary Balance/GDP[2]	-6.2	-5.6	-6.2	-0.4	0.1	1.1
Fiscal Balance/GDP[2]	-8.6	-7.7	-8.8	-3.9	-4.0	-2.9
Government Debt/GDP[2]	98.3	113.1	107.2	98.5	93.9	91.0
External Current Account/GDP	-35.6	-35.4	-27.6	-27.9	-27.1	-19.9
Nominal GDP (US$ bln)	0.6	0.5	0.6	0.6	0.7	0.7

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period; [2] Fiscal year basis [July (of the stated year) to June]

Grenada

Summary of Key Performance Updates

Real GDP 2022	Stay-over Arrivals Jun 2023 (y-t-d)	Cruise Arrivals Jun 2023 (y-t-d)	Inflation Jun 2023 (y/y)	Debt/GDP Jun 2023
7.3%	52.0%	84.3%	2.2%	62.3%

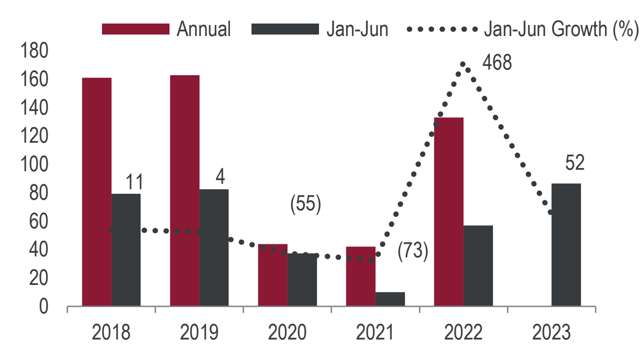
Production, Prices, and Employment

Grenada's economic recovery progressed during the first half of the year buoyed by a strong tourism rebound. Stay-over arrivals expanded 52.0% y/y during January to June 2023, exceeding the corresponding pre-pandemic level by 5%. Arrivals from the US, which represented half of total arrivals, expanded 39.3% y/y, while arrivals from the UK and Canada representing 15% and 10%, rose 14.2% y/y and 312% y/y, respectively, all surpassing pre-pandemic levels. Arrivals from the Caribbean also improved (up 110.9% y/y) achieving 86% of 2019's level. Meanwhile, cruise and yacht passenger arrivals advanced 84.3% y/y and 81.4% y/y, reaching 89% and 79% of 2019's levels, respectively.

The upsurge in tourism activity likely spawned increased output in related sectors, including wholesale and retail trade, and transport storage and communication, while ongoing private and public sector projects likely contributed to greater construction output.

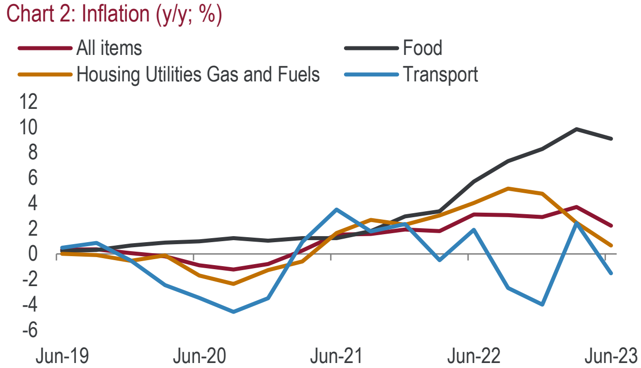
Consumer prices remained relatively contained relative to the rest of region reflecting measures implemented by the Government to dampen the pass through of higher global commodity prices. The inflation rate slowed to 2.2% y/y in June 2023 after peaking at 4.0% in January 2023. The price of food and non-alcoholic beverages climbed 9.1% y/y, but the price of 'housing utilities gas and fuels' rose 0.9% y/y, and the price of transport declined 1.5% y/y.

Chart 1: Stay-Over Arrivals (000's)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



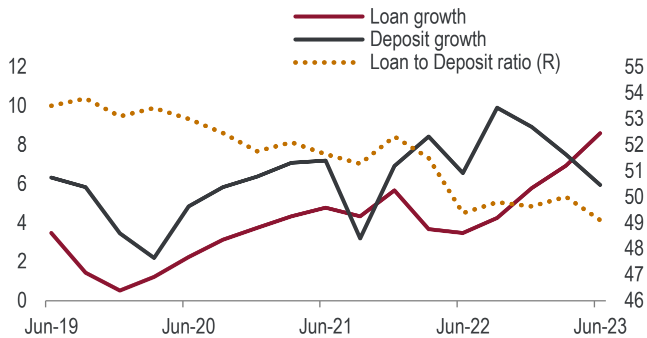
Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Developments in Financial Markets

Commercial banks' loan growth accelerated to 8.6% over the 12 months to June 2023. Deposits increased 5.9% y/y, largely reflecting higher balances of households (up 13.7%). Balances of corporate entities fell 1.1% y/y, while non-resident deposits declined 0.5% y/y. As a result, the loan-to-deposit ratio rose from 49.8% in June 2022 to 51.0% in June 2023.

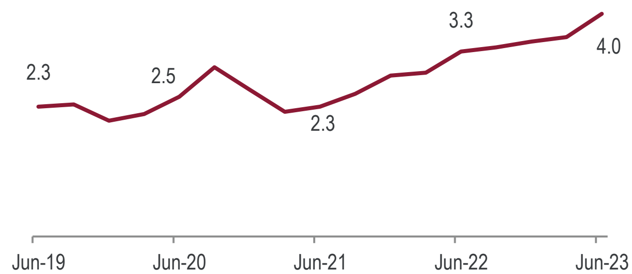
Banks' weighted average loan rate increased 82bps y/y to 6.84% at June 2023, but the weighted average deposit rate declined 9bps y/y to 0.75%. The non-performing loan ratio rose by 0.7 percentage points y/y to 4.0% at June, but the annualised return on average assets improved from 0.3% in Q2 2022, to 0.7% in Q2 2023. The regulatory capital to risk-weighted assets ratio stood at 14.4% at June 2023 compared to 16.0% one year earlier.

Chart 3: Financial Indicators (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

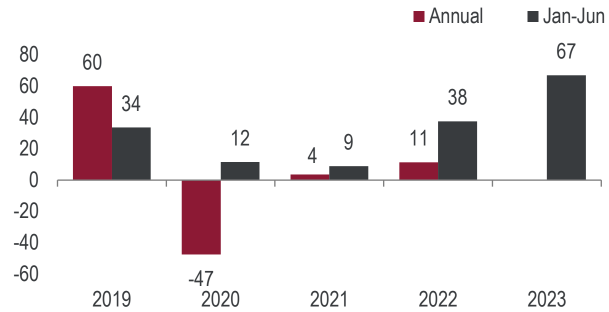
Government Debt

Increased revenue collections coupled with a fall-off in public spending led to a US$29.4mln increase in the Government's fiscal surplus to US$67.1mln during the first six months of 2023.

- Current revenue advanced US$71.9mln (45.0% y/y). Non-tax receipts climbed US$43.0mln bolstered by a US$46.5mln expansion in Citizenship by Investment (CBI) inflows, while tax receipts rose US$28.8mln. Taxes on goods and services increased US$14.7mln, while taxes on international trade, income and profits and property rose US$5.9mln, US$6.0mln and US$2.2mln, respectively. Meanwhile, grant revenue dwindled from US$56.1mln to US$3.3mln.
- Current spending expanded US$12.2mln (10.6% y/y) largely reflecting a US$8.4mln increase in transfers and subsidies. Payments for personal emoluments, goods and services and interest rose US$1.0mln, US$2.9mn and US$0.1mln, respectively. However, capital outlays contracted US$22.6mln (35.9% y/y).

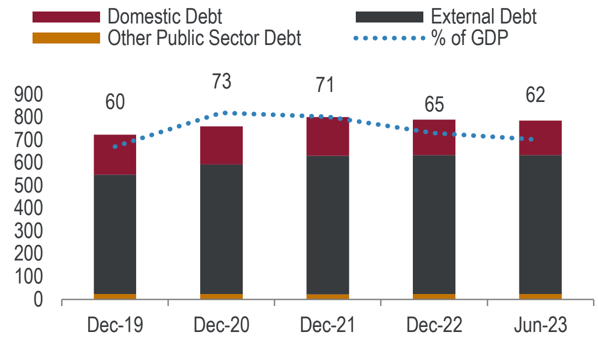
Central Government debt declined US$4.0mln since December 2022 to US$762.5mln at June 2023, while the debt of public corporations dipped US$0.1mln to US$23.3mln. Consequently, total public debt stood at US$785.9mln (62.3% of GDP).

Chart 5: Fiscal Balance (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 6: Public Debt US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean

Outlook

The IMF projects that real economic growth will moderate to 3.9% in 2023 and 3.8% in 2024 reflecting the maturing tourism recovery and the curtailing of public investment from post-pandemic highs, as Government returns to its commitment to fiscal rules. However, greater construction activity including work undertaken under Government's Resilient Infrastructure Programme, and private projects including Silver Sands Legacy and Riviera Project are expected to support growth. The Government expects to achieve a 3.6% of GDP primary surplus in 2023 and 2024, which would allow public debt to fall to 55% of GDP by 2025.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022f	2023f	2024f
Real GDP Growth	0.7	-13.8	4.7	6.4	3.9	3.8
Inflation[1]	0.6	-0.7	1.2	2.6	3.6	2.5
Primary Balance/GDP	6.8	-2.6	2.1	2.6	3.6	3.6
Fiscal Balance/GDP	5.0	-4.5	0.3	0.9	1.9	2.0
Government Debt/GDP	58.5	71.4	69.9	63.6	60.2	57.7
External Current Account/GDP	-10.1	-16.4	-13.0	-17.0	-14.8	-12.7
Nominal GDP (US$ bln)	1.2	1.0	1.1	1.2	1.3	1.4

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period

Guyana

Summary of Key Performance Updates

Real Oil GDP H1 2023	Real Non-Oil GDP H1 2023	Inflation Aug 2023 (y/y)	GYD/USD Aug 2023	Debt/GDP Jun 2023
59.5%	12.3%	0.3%	208.5	25%

Production, Prices, and Employment

Economic activity in Guyana sustained a robust growth momentum in the first half of 2023. Real oil GDP expanded 59.5% y/y bolstered by higher production of crude oil following the introduction of the second Floating Production Storage and Offloading (FPSO) vessel, Liza Unity, while non-oil real GDP increased 12.3% y/y, supported by Government spending and policies implemented to develop key areas of the economy.

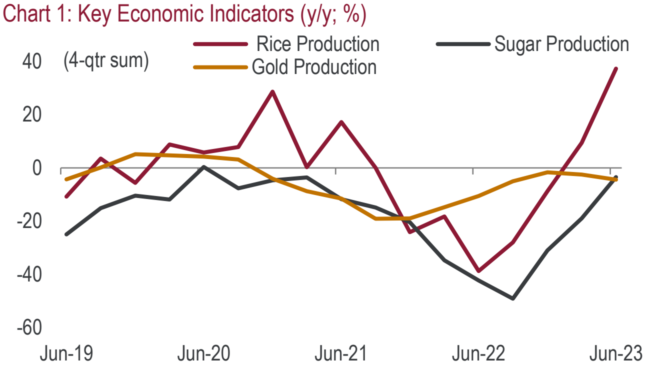
Mining and quarrying output advanced 89.9% y/y. Crude oil production almost doubled (up 98.3% y/y) during January to June to 68.7 million barrels, with average daily production increasing from 228,880 barrels to 379,334. Stone and sand production also grew, 52.6% y/y and 71.7% y/y, respectively, echoing the surge in construction activity (up 44.1% y/y) bolstered by significant private and public infrastructure projects. However, bauxite production declined 19.8% y/y, while diamond production and gold declarations fell 21.2% y/y and 11.4% y/y, respectively.

The agriculture sector grew 7.6% y/y with all major sub-sectors contributing to the expansion. Output of logs rose 5.1% y/y boosting forestry output by 4.5% y/y, while rice, sugar and other crop production increased 4.2% y/y, 30.1% y/y and 9.4% y/y, respectively, largely attributed to favourable weather conditions. Manufacturing output also rose, up 17.7% y/y, reflecting greater production of rice, sugar, and other manufacturing.

Meanwhile, activity in the services' sector advanced 9.1% y/y reflecting broad-based growth across all subsectors including wholesale and retail (up 14.2% y/y), accommodation and food services (up 10.0% y/y) and transport and storage up (6.7% y/y).

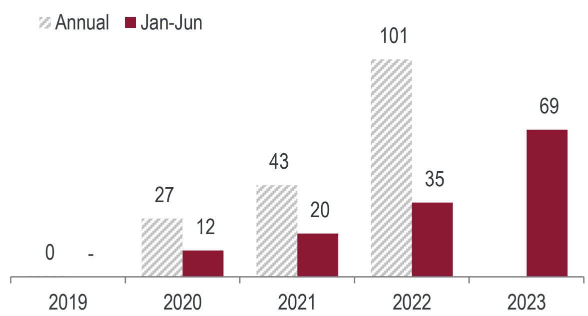
Consumer price inflation cooled to 0.3% y/y in August 2023 relative to 6.4% y/y one year earlier. The price of food rose 1.3% y/y, but the prices of housing, and transportation and communication fell 0.5% y/y and 2.2% y/y, respectively.

Chart 1: Key Economic Indicators (y/y; %)



Source: Bank of Guyana and CIBC FirstCaribbean.

Chart 2: Crude Oil Production (mln barrels)



Source: Bank of Guyana and CIBC FirstCaribbean.

Developments in Financial Markets

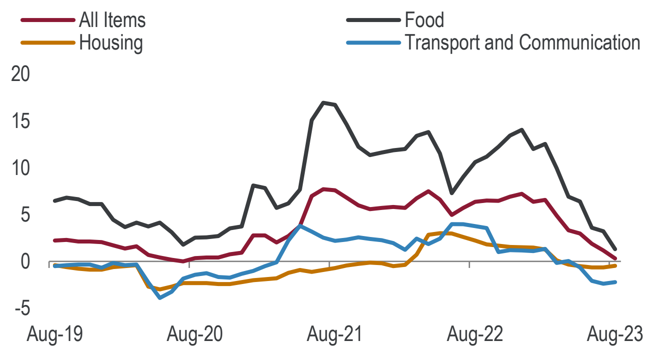
Commercial banks' credit growth remained strong over the 12 months to June 2023. Loan balances outstanding climbed 12.6% y/y, led by increased lending to the private sector (up 11.9% y/y). Loans to business entities rose 12.8% y/y, while consumer and real estate mortgage lending also increased 4.0% y/y and 14.2% y/y, respectively. Loans to non-bank financial institutions and the public sector also registered an uptick, while non-resident balances rose 21.1% y/y. Banks' deposit balances expanded 15.9% y/y with 81% of the increase held by the private sector, and the balances of businesses and individuals growing 29.4% and 13.3%, respectively. Deposits of the public sector also rose (up 25.1% y/y), but balances of non-bank financial institutions fell 7.1% y/y. Banks' excess reserves held at the Bank of Guyana rose 50.0% y/y to US$221.9mln at June, but remained below the end-December 2022 position by 12.7%.

Banks' credit growth supported a continued decline in the non-performing loan ratio, which fell from 5.6% at June 2022 to 3.4% at June 2023, but the return on assets remained about 0.6% during the quarter, relative to one year earlier. The capital adequacy ratio slipped 0.2 percentage points y/y to 18.4% at June 2023 but remained well above the prudential requirement of 8.0%.

Meanwhile, the weighted average lending rate fell 41bps y/y to 8.20% at August 2023, while the average small savings interest rate remained at 0.81% over the 12-month period.

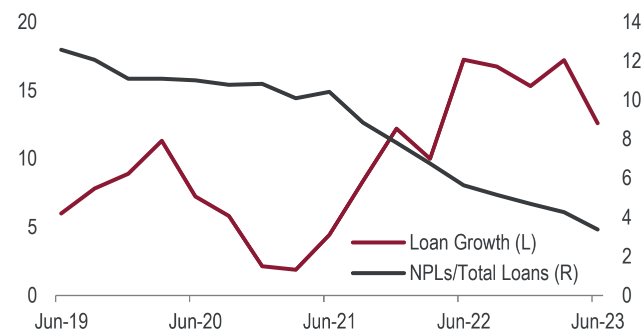
Net international reserves at the Bank of Guyana fell US$110.1mln (13.6%) y/y to US$701.5mln (approximately 4 weeks of import cover) at August 2023. The Bank of Guyana maintained the exchange rate at GY$208.5:US$1.

Chart 3: Inflation (y/y; %)



Source: Bank of Guyana, Guyana Bureau of Statistics and CIBC FirstCaribbean.

Chart 4: Financial Indicators (%)



Source: Bank of Guyana and CIBC FirstCaribbean.

Government Debt

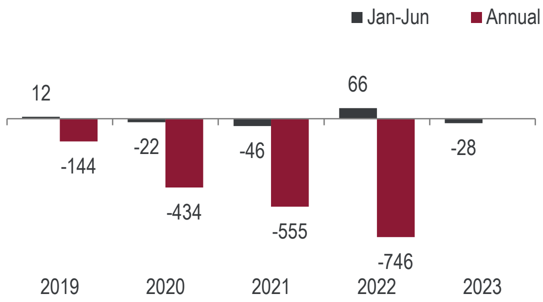
The Government of Guyana's fiscal balance widened by US$94.6mln to a US$28.3mln deficit during the first six months of 2023 as increased spending, largely on its capital investment programme, outweighed increased revenue, including withdrawals from the Natural Resource Fund (NRF) and Carbon Credit sales.

- Current receipts surged US$416.3mln (44.9% y/y) reflecting a US$200mln increase in NRF withdrawals, US$22.7mln in Carbon Credit sales, and a US$176mln expansion in tax collections. Taxes on income rose US$126.0mln primarily related to the oil and gas sector, while taxes on production and consumption and international trade increased US$28.0mln and US$13.6mln, respectively and other tax revenue rose US$8.4mln. Non-tax revenue also advanced, up US$16.2mln during the half-year. Meanwhile, capital receipts dipped US$13.4mln (68.4% y/y).
- Government increased its capital spending by US$342mln (152.5% y/y) with disbursements for housing and construction representing 17.1% and 38.0% of the total, respectively. Current spending rose by US$155.5mln (23.7% y/y) as outlays for transfer payments and personal emoluments increased US$88.4mln and US$35.9mln, respectively, and payments for goods and services and debt charges rose US$25.3mln and US$5.9mln, respectively.

Public debt (including publicly guaranteed debt) increased US$262mln since December 2022 to US$3.92bln (approximately 25% of GDP) at June 2023. Domestic debt rose US$202.8mln to US$2.29bln, largely reflecting greater issuance of treasury bills, while external debt rose US$59.2mln to US$1.63bln over the same period primarily because of higher balances owed to bilateral and multilateral institutions.

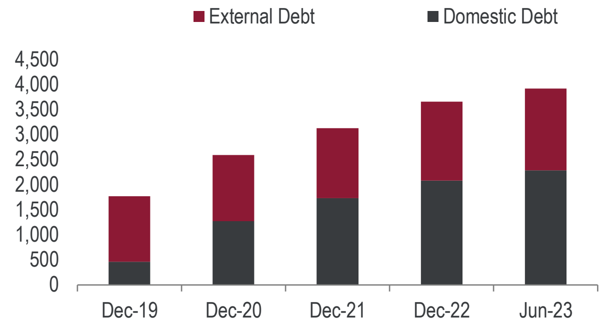
Government withdrew another US$100mln from the NRF in August, of the total US$1,002mln approved for FY2023 to finance priorities for national development. The balance on the NRF stood at US$1.93bln at the end of August 2023.

Chart 5: Fiscal Balance (US$ mln)



Source: Bank of Guyana and CIBC FirstCaribbean.

Chart 6: Public Debt (US$ mln)



Source: Bank of Guyana and CIBC FirstCaribbean.

Outlook

Guyana's economic outlook remains extremely favourable. The Bank of Guyana now projects real GDP growth of 28.2% in 2023, while the IMF's latest projections suggest a 38.4% expansion in 2023, before 25.6% growth in 2024. The commencement of operations at the third FPSO, Liza Prosperity, is expected to add a significant boost to oil production in the second half of the year, while continued public and private investment is anticipated to propel construction output and catalyse growth in all other major sectors of the economy. The Government's 2023 Budget Estimates project a wider (US$803.8mln) fiscal deficit for 2023 as Government ramps up its public investment programme. In addition to the US$1,002mln transfer from the NRF expected this year, Government's consolidated fund is also expected to benefit from a transfer of US$150.1mln from the sale of Carbon Credits.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022f	2023f	2024f
Real GDP Growth	5.4	43.5	20.1	62.3	38.4	25.6
Inflation[1]	2.1	1.2	3.3	6.5	5.5	4.7
Primary Balance/GDP	-2.0	-7.3	-6.8	-4.9	-6.3	-4.8
Fiscal Balance/GDP	-2.5	-7.8	-7.3	-5.2	-6.7	-5.0
Government Debt/GDP	43.6	51.1	43.2	26.1	29.9	29.0
External Current Account/GDP	-68.8	-16.3	-25.9	23.8	18.0	20.0
Nominal GDP (US$ bln)	5.2	5.5	7.7	14.5	16.3	20.3

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period

Jamaica

Summary of Key Performance Updates

Real GDP H1 2023	Unemployment Jul 2023	Inflation Sep 2023 (y/y)	JMD/USD Sep 2023	FX Reserves Sep 2023
3.3%	**4.5%**	**5.9%**	**155.5**	**26 weeks**

Production, Prices, and Employment

The Statistical Institute of Jamaica estimates that real GDP advanced 2.3% y/y in Q2 2023 spawning 3.3% y/y growth over the first half of the year. Output of the services' sector (up 3.8% y/y) led the expansion, catalysed by greater activity of hotels and restaurants, while output of the goods producing sector rose 1.8% y/y, largely driven by the rebound of alumina production.

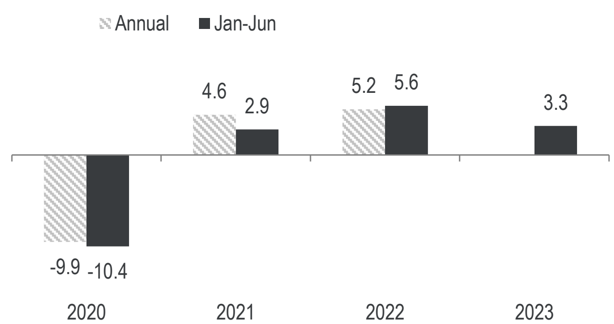
Except for Government services, all subsectors of the services industry recorded an increase during the half-year. Output of hotels and restaurants expanded 17.8% y/y. Stay-over arrivals rose 26.8% y/y surpassing pre-pandemic levels by 7%, with 74% of visitors originating from the US, and 14% and 9% from Canada and Europe, respectively. Arrivals from the US, in particular, surpassed pre-pandemic levels by 16%. Cruise passenger arrivals increased 143.0% y/y reaching 77% of 2019's level, while ship calls rose to 221 from 129 one year earlier. The upswing in air and cruise passengers supported greater output of transport storage and communication (up 6.3% y/y), while wholesale and retail trade activity rose 1.3% y/y. Finance and insurance services and real estate and other business activity also increased.

The resumption of alumina production at the Jamalco plant coupled with higher capacity utilization at the Noranda plant underpinned a 137.9% y/y expansion in mining and quarrying output, despite a decline in bauxite production. Increased demand from the tourism sector contributed to a 5.9% y/y increase in the manufacturing output of food beverages and tobacco which spurred a 3.4% expansion of the manufacturing sub-sector. Conversely, agriculture forestry and fishing production contracted 7.6% y/y due to the impact of drought conditions on crop yields, while construction output fell 2.8% y/y attributed to reduced public capital outlays.

Jamaica's unemployment rate continued to fall to new lows, estimated at 4.5% in July 2023, compared to 6.6% in July 2022, and on par with one quarter earlier. The labour force expanded by 19,600 persons y/y, but the number of employed persons increased by 47,100 y/y.

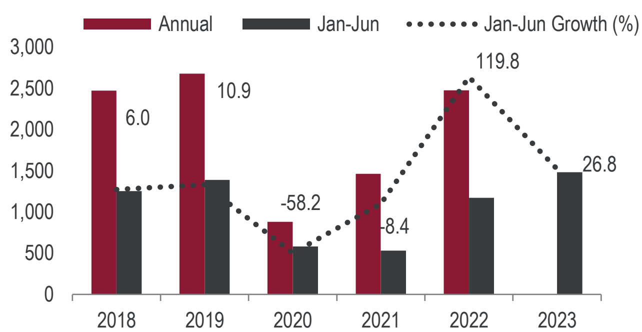
Consumer increased 5.9% y/y in September 2023, returning into the Bank of Jamaica's (BOJ) target range, after a modest acceleration since April partly attributed to the impact of high temperatures on agricultural prices and upward adjustments on restaurant prices. The price of 'housing water gas electricity and other fuels' and transport declined 1.9% y/y and 0.2% y/y, respectively, but the prices of 'food and non-alcoholic beverages' and 'restaurants and accommodation services' rose 9.8% y/y and 12.0% y/y, respectively. The BOJ continued to maintain its policy rate at 7.00% where it stood since November 2022.

Chart 1: Real GDP (y/y; %)



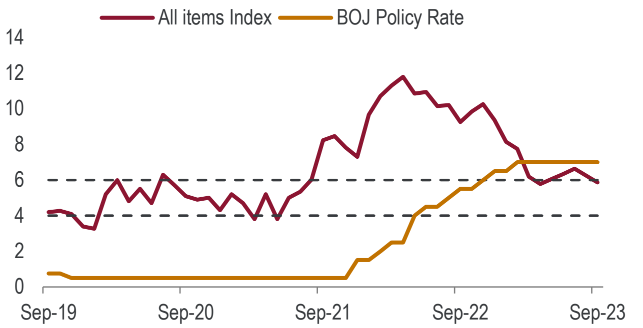
Source: Statistical Institute of Jamaica and CIBC FirstCaribbean.

Chart 2: Stay-over Arrivals (000's)



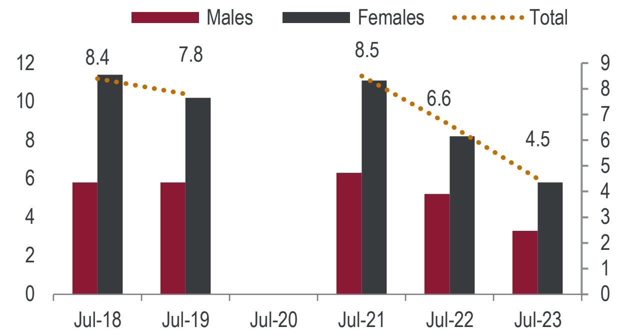
Source: Jamaica Tourist Board and CIBC FirstCaribbean.

Chart 3: Inflation (y/y; %)



Source: Statistical Institute of Jamaica, Bank of Jamaica, and CIBC FirstCaribbean.

Chart 4: Unemployment Rate (%)



Source: Statistical Institute of Jamaica, Bank of Jamaica and CIBC FirstCaribbean.

Developments in Financial Markets

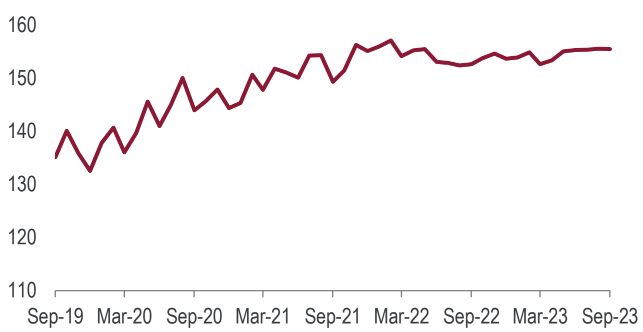
The JMD/USD exchange rate remained relatively stable depreciating 1.9% y/y and 1.2% year-to-date to 155.5:1 in September 2023. The BOJ continued to provide liquidity to the FX market, totalling US$717.6mln over the first nine months of the year, relative to US$598mln one year earlier, while remittance inflows slipped 1.1% y/y over January to August. However, gross official FX reserves remained healthy, climbing (US$497.1mln y/y and US$328.8mln year-to-date) to US$4.85bln at September 2023, representing 25.6 weeks of imports of goods and services.

Banks' loan balances climbed 13.8% over the 12 months to June 2023. Personal loans increased 12.8% y/y, while corporate credit rose 15.3% y/y supported by greater credit to the construction, distribution, tourism, financial and professional services sectors. Deposit balances rose 9.2% y/y largely bolstered by the holdings of individuals (up 11.6% y/y) which accounted for 54% of the expansion and private non-financial entities (up 6.7% y/y), which accounted for another 23%. Local currency-denominated deposits expanded 12.5% y/y.

Local currency weighted average interest rates rose modestly over the 12 months to July 2023. The loan rate increased 48bps y/y to 11.72%, while the deposit rate rose 87bps y/y to 2.28%. Government's Treasury bill rate declined 42bps since March 2023 to 7.79% at July 2023, but remained 17bps higher y/y.

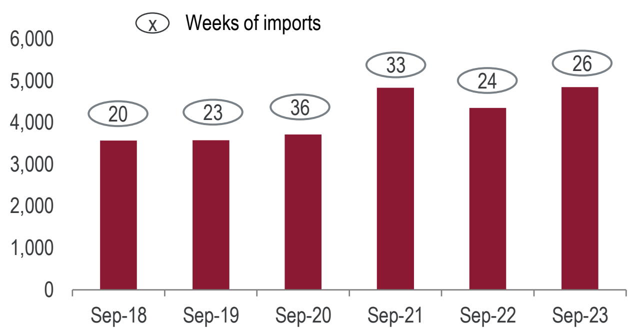
Banks' non-performing loan ratio declined from 2.8% at June 2022 to 2.5% at June 2023, but the return on average assets fell from 0.6% in Q2 2022 to 0.4% in Q2 2023. The capital adequacy ratio improved to 14.3% at June 2023 from 13.6% one year earlier.

Chart 5: JMD/USD Exchange Rate



Source: Bank of Jamaica and CIBC FirstCaribbean.

Chart 6: Gross Official Reserves (US$ mln)



Source: Bank of Jamaica and CIBC FirstCaribbean.

Fiscal Operations and Debt

Despite greater revenue collections, increased spending largely on wages and salaries due to the salary compensation review led to a worsening of Government's fiscal deficit from JM$2.1bln to JM$33.6bln during the first five months of FY2023/24 ended August 2023. The primary surplus came in at JM$34.9bln compared to JM$56.6bln on year earlier.

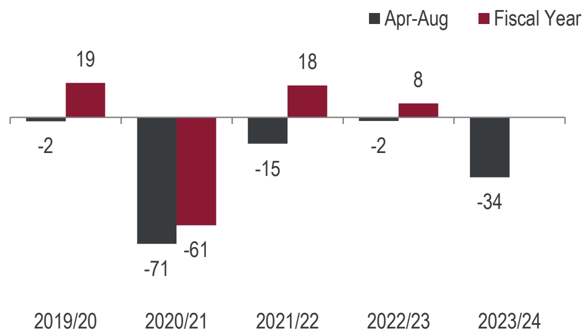
- Total revenue and grants expanded JM$49.6bln (16.6% y/y). Tax receipts increased JM$39.9bln (14.4% y/y) reflecting higher collections on income and profits (up JM$25.6bln), production and consumption (up JM$7.7bln) and international trade (JM$6.6bln). Non-tax receipts rose JM$7.4bln, while grants increased JM$2.3bln.
- Current spending climbed JM$82.8bln (29.6% y/y). Wages and salaries increased JM$65.4bln, while interest payments rose JM$9.7bln, JM$7.9bln of which related to payments on external debt, and outlays for programmes rose JM$7.8bln. Meanwhile, Government capital spending fell JM$1.8bln (8.9% y/y).

Central Government debt increased JM$34.7bln since March 2023 to JM$2,133.9bln, as domestic debt rose JM$23.6bln to JM$822.9bln, and external debt increased JM$11.0bln to JM$1,310.9bln. The net debt of public bodies fell by JM$6.2bln and total public debt stood at JM$2,149.9bln, approximately 81% of GDP at the end of July 2023.

On August 31, the IMF competed its first reviews of Jamaica's Resilience and Sustainability Facility (RSF) and Precautionary and Liquidity Line (PLL), making available US$255MM and providing access to US$611MM, respectively, with the latter treated as precautionary.

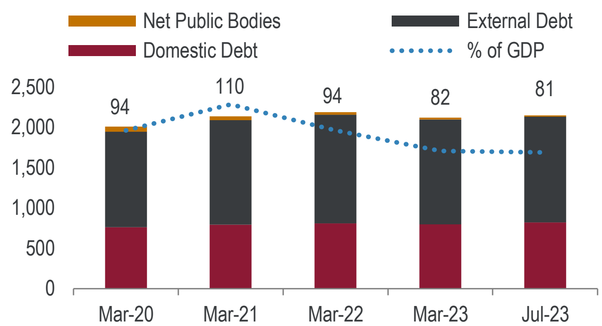
On September 13, Standard and Poor's (S&P) upgraded Jamaica's sovereign credit rating from 'B+' to 'BB-' (with a stable outlook) citing its commitment to prudent public sector finances and debt reduction. On October 18, Moody's also upgraded Jamaica's sovereign credit rating from 'B2' to 'B1' and changed the outlook from stable to positive.

Chart 7: Fiscal Balance (JM$ bln)



Source: Jamaica Ministry of Finance and CIBC FirstCaribbean.

Chart 8: Government Debt (JM$ bln)



Source: Jamaica Ministry of Finance and CIBC FirstCaribbean.

Outlook

Jamaica's economic outlook remains favourable, even as economic growth normalises. The IMF expects that real GDP will grow by 2.0% in 2023, and 1.8% in 2024, and the BOJ anticipates that domestic inflation will remain in its target range for the remainder of the year into 2024. Public finances will also likely continue to improve, and public debt is expected to remain firm on its downward trajectory. The Government anticipates sufficient space within its current fiscal framework to accommodate the increased expense associated with its salary compensation review, while maintaining its commitment to primary surpluses that will facilitate reducing public debt to 60% of GDP by FY2027/28. However, risks to Jamaica's economic outlook remain elevated including the ongoing global economic uncertainty and vulnerability to weather-related shocks.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022f	2023f	2024f
Real GDP Growth	1.0	-9.9	4.6	5.2	2.0	1.8
Inflation[1]	3.9	5.2	5.9	10.3	6.5	5.0
Primary Balance/GDP[2]	7.1	3.5	6.8	5.8	5.5	5.0
Fiscal Balance/GDP[2]	0.9	-3.1	0.9	0.3	0.3	0.3
Public Debt/GDP[2]	94.3	109.7	94.2	77.1	72.3	68.4
External Current Account/GDP	-1.9	-1.1	1.0	-0.8	-1.2	-1.7
Nominal GDP (US$ bln)	15.8	13.9	14.7	17.0	18.8	20.1

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period; [2] Fiscal year basis (April to March)

St. Kitts and Nevis

Summary of Key Performance Updates

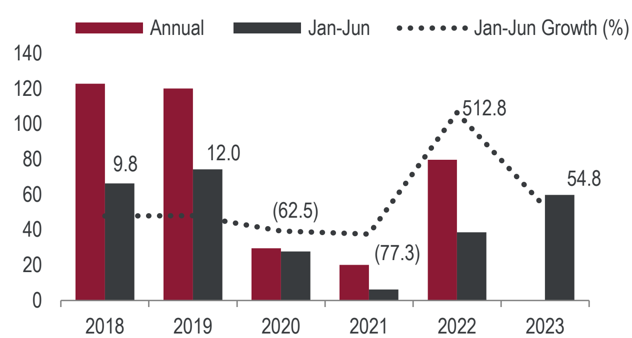
Real GDP 2022	Stay-over Arrivals Jun 2023 (y-t-d)	Cruise Arrivals Jun 2023 (y-t-d)	Inflation Jun 2023 (y/y)	Debt/GDP Jun 2023
8.8%	54.8%	122%	3.1%	57.3%

Production, Prices, and Employment

Economic activity in St. Kitts and Nevis likely continued to recover during the first half of 2023. The tourism rebound sustained its momentum as stay-over arrivals rose 54.8% y/y during January to June to 72% of the corresponding pre-pandemic level. Arrivals from all major source markets improved y/y, with arrivals from the US, the largest source market, reaching 85% of pre-pandemic levels, while arrivals from UK and Canada reached 91% and 96%, respectively. However, the number of visitors from Caribbean, the second largest source market, only reached 48%. Cruise passenger arrivals also rebounded during the six-month period, growing 122.4% y/y, but slower growth in Q2 limited the total to 86% of 2019's level, while yacht passenger arrivals expanded 229.3% y/y exceeding 2019's level. The resurgence of hotel and restaurant output likely induced greater activity in the transport storage and communication, and wholesale and retail trade, while ongoing public and private sector projects also likely boosted construction output.

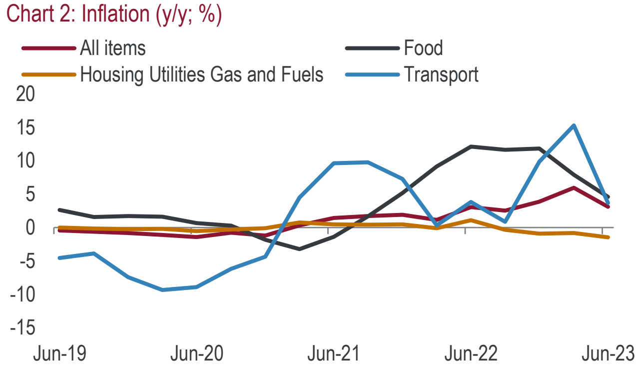
Consumer inflation decelerated to 3.1% y/y in June 2023 after peaking at 6.0% y/y in March 2023. Growth in the price of food and transport slowed to 4.6% y/y and 3.7% y/y, respectively, while the price of housing utilities gas and fuels declined 1.5% y/y.

Chart 1: Stay-Over Arrivals (000's)



Source: Eastern Caribbean Central Bank and CIBC First Caribbean.

Chart 2: Inflation (y/y; %)



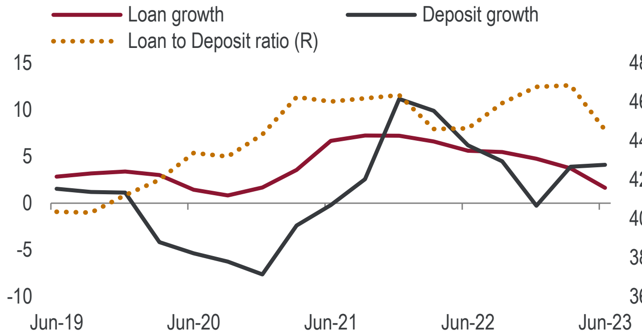
Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Developments in Financial Markets

Bank loans advanced 1.7% over the 12 months to June 2023. Loans to individuals rose 7.6% y/y reflecting higher balances of mortgages (up 9.5% y/y) and consumer loans (up 3.0% y/y), while credit to the public sector increased 7.4% y/y. However, lending to private business entities fell 2.8% y/y. Meanwhile, deposit balances rose 4.1% y/y as personal and corporate deposits increased 2.4% y/y and 6.4% y/y, respectively, but non-resident deposits fell 8.8% y/y. The loan-to-deposit ratio fell marginally y/y to 44.9%.

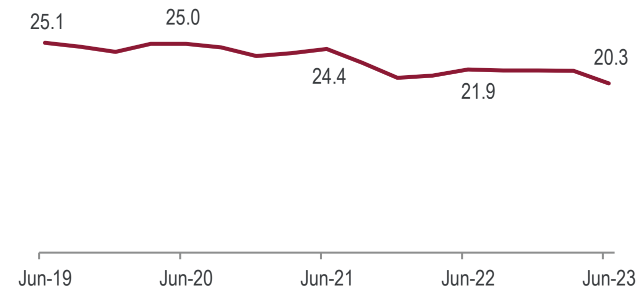
Banks' weighted average loan rate fell 18bps y/y to 6.53% at June 2023, while the weighted average deposit rate fell 3 bps y/y to 1.71%. The non-performing loan ratio fell marginally y/y but remained elevated at 20.3% at June 2023, while the annualized return on average assets improved from -4.4% in Q2 2022 to 1.1% in Q2 2023. However, the capital adequacy ratio fell from 15.4% in June 2022 to 10.4% in June 2023.

Chart 3: Financial Indicators (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

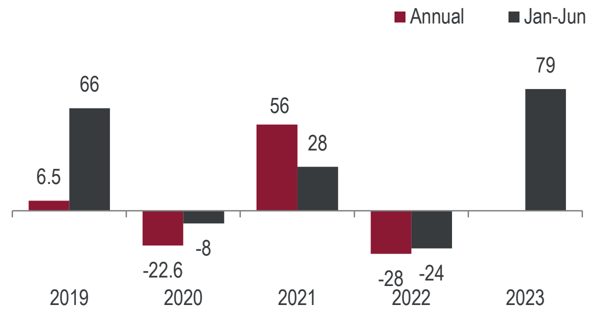
Government Debt

Greater Citizenship by Investment (CBI) inflows coupled with reduced capital spending led to a turnaround of Government's fiscal balance from a US$24.4mln fiscal deficit to a US$78.8mln surplus over the first six months of 2023.

- Current revenue climbed US$56.9mln (24.7% y/y) largely on account of a US$40.5mln increase in non-tax revenue, US$34.9mln of which related to greater CBI receipts. Tax revenue expanded US$16.4mln reflecting broad-based increases across major tax categories. Taxes on income and profits and international trade rose US$8.9mln and US$4.0mln, respectively, while taxes on goods and services and property increased US$2.2mln and US$1.3mln, respectively. Capital revenue slipped US$0.3mln, but grants increased US$3.0mln.
- Current spending expanded US$23.4mln (14.1% y/y). Payments for goods and services increased US$12.0mln, while transfers and subsidies and personal emoluments rose US$5.8mln and US$5.7mln, respectively, but interest payments dipped US$0.1mln. However, capital spending contracted US$67.1mln (65.2%) likely reflecting normalisation following outlays for repurchase of land from the land-to-debt swap arrangement during the previous fiscal year.

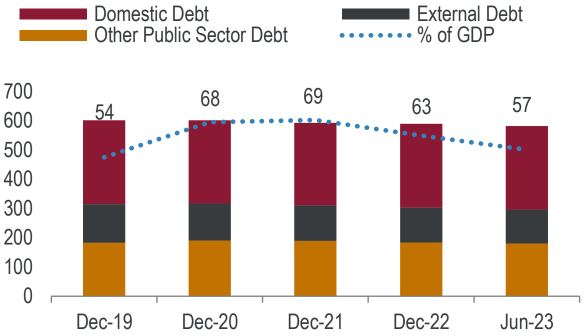
Central Government debt declined US$4.5mln since December 2022 to US$401.8mln at June 2023, while the debt of public corporations fell US$3.2mln y/y to US$180.8mln. Consequently, public debt stood at US$582.6mln, equivalent to 57.3% of GDP.

Chart 5: Fiscal Indicators (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 6: Public Debt (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Outlook

The IMF's latest estimates suggest that economic activity will expand by 4.9% in 2023 and 3.8% in 2024. The continued recovery of tourism services alongside greater activity in associated sectors is expected to support growth, while key public infrastructural and private sector projects are also anticipated to bolster construction output. Domestic inflation is anticipated to slow to 2.3% in 2024. The Government's fiscal position is projected to improve in 2023, and the IMF expects a broadly balanced budget over the next three years. However, lower than expected CBI receipts remain a potential threat to the fiscal position given the high reliance on this source of volatile revenue.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021e	2022f	2023f	2024f
Real GDP Growth	4.1	-14.6	-0.9	8.8	4.9	3.8
Inflation[1]	-0.3	-1.2	1.2	2.7	2.9	2.3
Primary Balance/GDP	0.5	-1.7	6.8	-2.0	5.9	4.3
Fiscal Balance/GDP	-0.7	-3.1	5.6	-3.3	4.5	2.9
Government Debt/GDP	54.3	68.0	69.1	61.1	53.2	48.8
External Current Account/GDP	-5.8	-10.9	-5.9	-3.4	-2.6	-2.0
Nominal GDP (US$ bln)	1.1	0.9	0.9	1.0	1.1	1.1

Source: IMF World Economic Outlook Database, October 2023.
[1] Average for the period

St. Lucia

Summary of Key Performance Updates

Real GDP 2022	Stay-over Arrivals Jul 2023 (y-t-d)	Cruise Arrivals Jul 2023 (y-t-d)	Inflation Jun 2023 (y/y)	Debt/GDP Jun 2023
15.7%	11.7%	163%	5.4%	73.1%

Production, Prices, and Employment

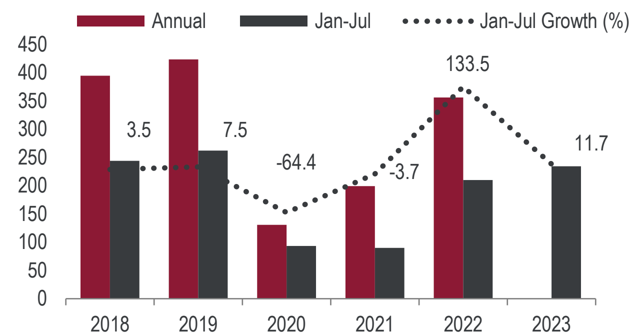
The continued rebound of tourism activity likely continued to propel economic activity in St. Lucia thus far in 2023.

Stay-over arrivals expanded 11.7% y/y during January to July, but arrivals in June and July specifically declined y/y, limiting the seven-month performance to 89% of the corresponding pre-pandemic level. Arrivals from the US, accounting for 56% of the total, rose 1.6% y/y surpassing the pre-pandemic level by 5%, but arrivals from the UK, accounting for 20% of the total, declined 3.8% y/y, curbing the recovery progress to 95% of the pre-pandemic level. Meanwhile, arrivals from Canada and the Caribbean advanced 125.0% y/y and 72.9% y/y, reaching 84% and 54% of 2019's level, respectively.

Cruise passenger arrivals increased 163% y/y but no arrivals in June and July contained the rebound to 95% of 2019's levels, while yacht passenger arrivals rose 181% y/y, but remained around two-thirds of the pre-pandemic level.

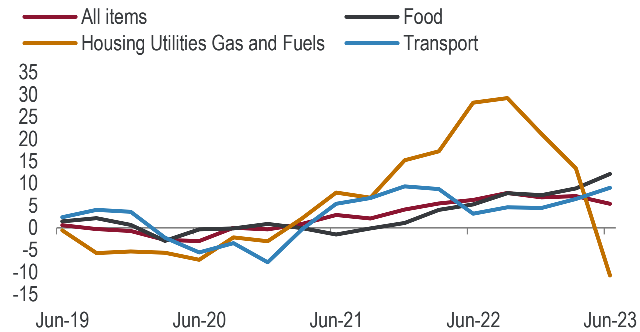
Consumer price inflation slowed to 5.4% y/y in June 2023, after peaking at 7.9% y/y in September 2022. The price of housing utilities gas and fuels contracted 10.7% y/y, but the prices of food and non-alcoholic beverages and transport climbed 12.1% y/y and 9.0%, respectively, a quicker pace relative to nine months earlier.

Chart 1: Stay-Over Tourist Arrivals (000's)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



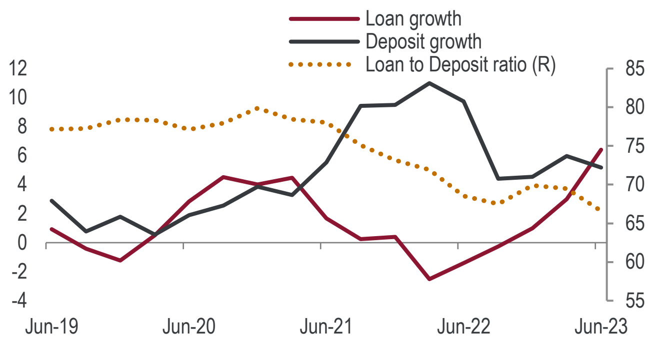
Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Developments in Financial Markets

Commercial bank loans expanded 6.4% over the 12 months to June 2023 reflecting higher balances of both the personal and corporate segments. Lending to individuals climbed 6.1% y/y bolstered by a 15.9% y/y expansion in consumer loans, while mortgages rose 1.8% y/y. Corporate balances increased 6.6% y/y, as loans to private business entities rose 9.5% y/y, overshadowing a 17.1% y/y decline in credit to the public sector. Meanwhile, deposits expanded 5.2% y/y as balances held by individuals and corporates advanced 5.0% y/y and 11.8% y/y, respectively, but non-resident balances declined 29.3%. The loan-to-deposit ratio rose marginally y/y to 68.3%.

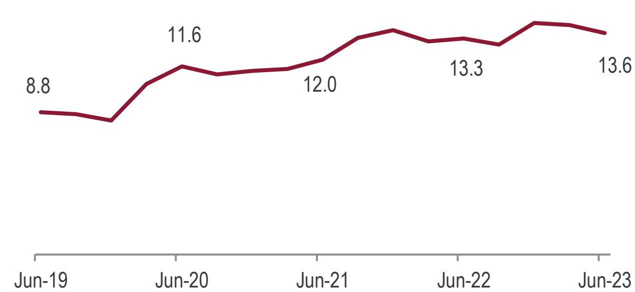
Banks' weighted average interest rates nudged upward y/y at June 2023 – the loan rate increased 13bps to 6.69%, and the deposit rate rose 1bps to 0.14% - while loan quality worsened marginally y/y, as the non-performing loan ratio rose from 13.3% at June 2022 to 13.6% at June 2023, but improved relative to the two previous quarters. Profitability improved as the annualised return on average assets increased from 0.9% in Q2 2022 to 1.1% in Q2 2023, while the capital adequacy ratio increased marginally y/y to 13.6% at June 2023.

Chart 3: Financial Indicators (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

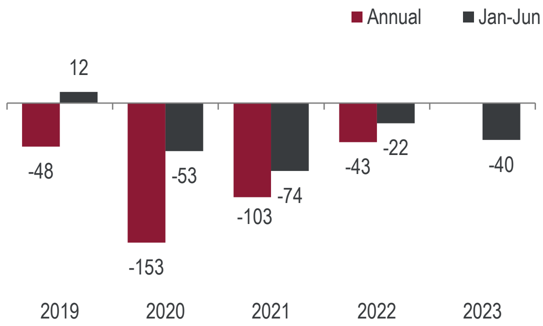
Government Debt

Greater public spending overshadowed improved revenue collections widening the Government's fiscal deficit by US$18.3mln to US$40.4mln during January to June 2023.

- Current receipts expanded US$45.7mln reflecting a US$38.6mln upswing in tax collections, while non-tax receipts rose US$7.1mln. Taxes on income and profits advanced US$18.3mln, while taxes on goods and services increased US$16.6mln, US$7.5mln and US$9.2mln of which represented receipts of VAT and excise taxes, respectively. Taxes on international trade and transactions rose US$3.2mln, while property taxes rose US$0.6mln. Meanwhile, capital revenue nudged upward US$0.2mln, but grants received declined US$2.0mln.
- Current spending climbed US$47.7mln (22.8% y/y). Payments for goods and services and interest rose US$23.2mln and US$11.0mln, respectively, while outlays for personal emoluments and transfers and subsidies rose US$6.3mln and US$7.3mln, respectively. Capital spending also increased, up US$14.6mln, to US$47mln.

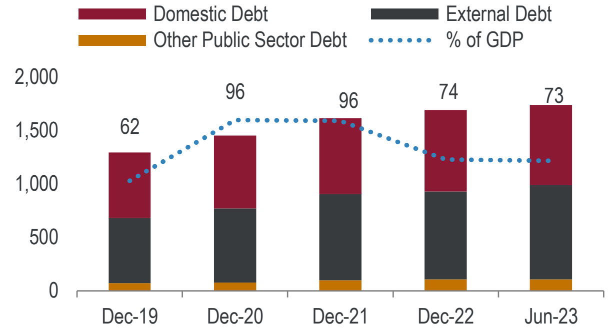
Central Government debt increased US$47.4mln over the six-month period to US$1.63bln at June 2023, while the debt of public corporations rose US$1.6mln to US$109.2mln. Total public debt stood at 73.1% of GDP, marginally below 73.7% recorded at December 2022.

Chart 5: Fiscal Balance (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 6: Public Debt (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Outlook

Economic growth in St. Lucia is expected to moderate following two years of robust recovery - the IMF's latest estimates suggest 3.2% in 2023 and 2.3% in 2024. The maturing rebound of tourism activity along with greater output in the agriculture, manufacturing, and construction sectors are expected to support the expansion. Consumer inflation is also projected to slow in 2023 and 2024, in line with the expected trend for global commodity prices. The IMF expects wider fiscal deficits over the next two years, while public debt is projected to remain elevated over the medium-term, on its current path.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021e	2022f	2023f	2024f
Real GDP Growth	-0.2	-23.6	11.3	15.7	3.2	2.3
Inflation[1]	0.5	-1.8	2.4	6.4	3.6	2.0
Primary Balance/GDP[2]	-0.5	-7.7	-2.2	1.5	1.1	0.9
Fiscal Balance/GDP[2]	-3.5	-11.5	-5.5	-1.5	-2.1	-2.4
Government Debt/GDP[2]	61.9	94.2	82.9	74.2	74.2	75.6
External Current Account/GDP	5.5	-15.2	-7.0	-2.3	-0.7	-0.4
Nominal GDP (US$ bln)	2.1	1.5	1.9	2.3	2.5	2.6

Source: IMF World Economic Outlook Database, October 2023.
[1]Average for the period; [2] Fiscal year basis [April (of stated year) to March]

Sint Maarten

Summary of Key Performance Updates

Real GDP Mar 2023	Stay-over Arrivals Mar 2023 (y-t-d)	Inflation Q1 2023	FX Reserves Sep 2023	Debt/GDP Mar 2023
5.0%	20.9%	3.5%	20 weeks	36.9%

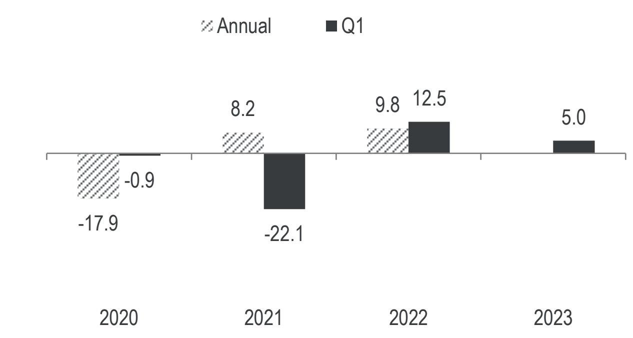
Production, Prices, and Employment

The Centrale Bank van Curaçao en Sint Maarten (CBCS) estimates that real GDP advanced 5.0% y/y in Q1 2023, a slower pace relative to 12.5% y/y in Q1 2022. The expansion was led by the continued rebound of tourism activity and spillover to related sectors, and an upsurge in construction activity. Output of accommodation and food services increased 16.7% y/y with stay-over arrivals climbing 20.9% y/y and surpassing pre-pandemic levels by 43%. The number of arrivals from all major source markets increased, with arrivals from the US, the largest source market, growing 16.6% y/y, while arrivals from Canada rose 99.2% y/y. However, despite the recovery progress, arrivals continued to fall short of pre-Hurricane Irma (2016) levels, only reaching 72%. Cruise arrivals also improved y/y in Q1 to 533,542 but remained 21% below pre-pandemic levels, while fewer cruise ships carried more passengers as capacity restrictions were lifted. Greater airport and harbor-related activity led to a 7.8% y/y expansion in the transport storage and communication, supported by a rise in container movements. The rise in visitor spending partly offset by a fall-off in domestic spending led to a 4.5% uptick in wholesale and retail trade.

The increased pace of reconstruction activity at the Princess Juliana International Airport coupled with other large investment projects boosted construction output by 10.9% y/y, while activity in the agriculture, fishery, mining, and manufacturing sector grew 4.5% y/y.

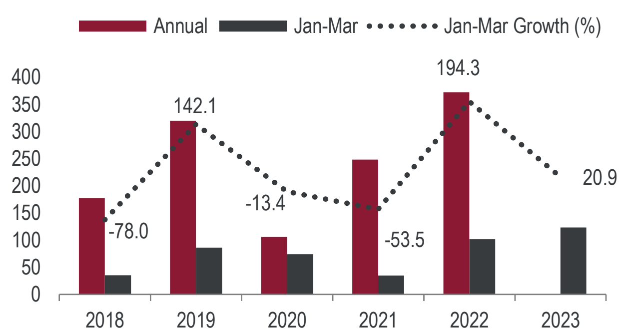
Consumer prices increased 3.5% y/y in Q1 2023 relative to 3.1% in Q1 2022 attributed to the delayed pass-through of higher international prices to domestic prices, though the inflation rate remained contained relative to the rest of the region. The quickening was led by higher prices of transport (up 3.2% y/y) and food and non-alcoholic beverages (up 10.5%).

Chart 1: Real GDP (%)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Chart 2: Stay-over Arrivals (000's)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Developments in Financial Markets

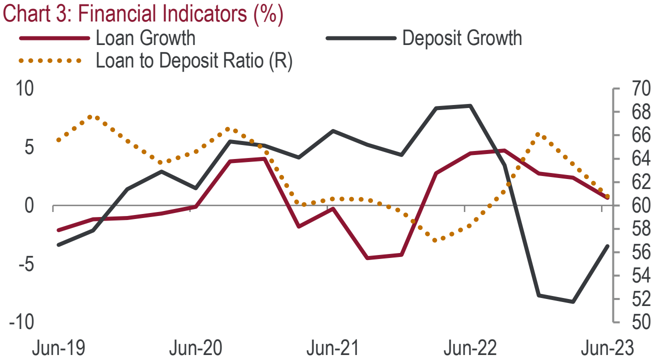
Banks' credit growth slowed, with balances outstanding nudging upward 0.6% over the 12 months to June 2023. Lending to private entities rose 2.4% y/y, but loans to individuals fell 1.4% y/y as a 6.9% fall-off in consumer lending outweighed a 1.4% uptick in residential mortgages. Meanwhile, deposits balances declined 3.5% y/y as holdings of non-residents declined, but deposits held by individuals and corporate clients rose 4.1% y/y and 0.3% y/y, respectively. Consequently, the loan-to-deposit ratio increased 2.5 percentage points y/y to 60.8% at June 2023.

Overall, for the Monetary Union, the current account balance of commercial banks at the CBCS contracted US$59.0mln (17.1% y/y) to US$291.8mln at July 2023. The CBCS reserve requirement remained unchanged at 19.00%.

In September, the CBCS tightened its monetary stance further by increasing its pledging rate by 25bps to 5.57%, in response to the Fed rate hike in July, aimed at mitigating capital outflows.

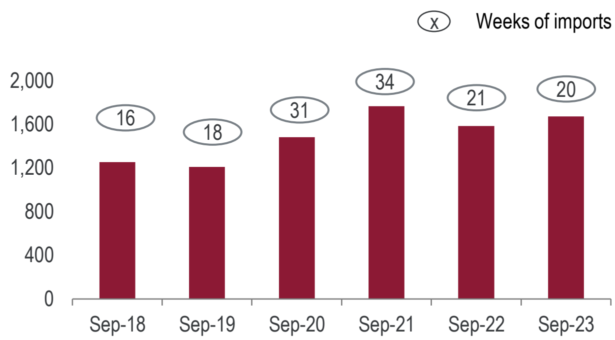
Gross official FX reserves of the Monetary Union rose US$86.6mln y/y to US$1.67bln (approximately 20 weeks of imports of goods and services) at September 2023.

Chart 3: Financial Indicators (%)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Chart 4: Gross International Reserves (excluding gold) (US$ mln)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean

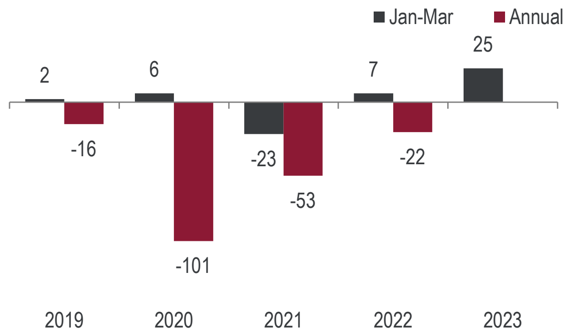
Government Debt

Increased collection of tax revenues led to a US$18.1mln improvement in the Government of Sint Maarten's budget balance to a US$24.6mln surplus during the first three months of 2023.

- Revenue advanced US$19.5mln (28.6% y/y). Tax receipts rose US$20.5mln, attributed to the strong economic rebound and the implementation of tax compliance measures, and reflecting broad-based gains across most major categories including the profit tax (up US$9.8mln), turnover tax (up US$5.8mln) and wage tax (up US$5.9mln). Concessions and fees rose US$2.0mln, while revenue from licences increased US$0.8mln, but other revenues fell US$3.7mln.
- Public spending nudged upward US$1.4mln (2.3% y/y). Expenditure on social security, wages and salaries, goods and services, and interest rose US$0.7mln, US$0.6mln, US$0.1mln, and US$0.1mln, respectively. However, subsidies declined US$0.6mln.

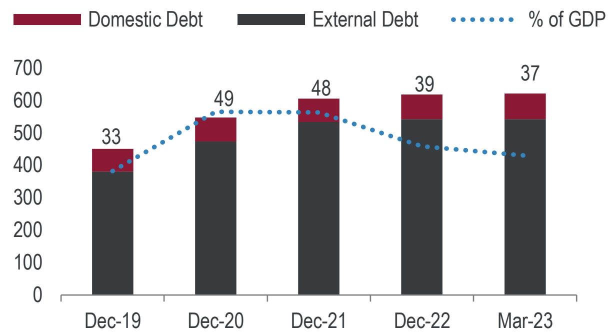
Government debt increased US$3.0mln since December 2022 to US$622.4mln (36.9% of GDP) at March 2023 as domestic debt rose US$3.0mln largely reflecting increased arrears to the Sint Maarten Police Force, and foreign debt remained unchanged.

Chart 5: Budget Balance (US$ mln)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Chart 6: Government Debt (US$ mln)



Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

Outlook

The CBCS' latest projections suggest that real GDP growth in Sint Maarten will decelerate to 3.9% in 2023 and 2.7% in 2024. Greater construction output linked to the airport reconstruction, the construction of the Sint Maarten Medical Centre, and tourism-related projects is expected to lead the expansion, while accommodation and food services will also likely support growth. However, the stock of hotel rooms remains substantially less relative to pre-hurricane levels, suggesting tourism growth may be constrained until room inventory catches up. The Bank also expects that unemployment will continue to improve, and inflation will slow. The Government is expected to achieve a broadly similar fiscal performance in 2023 and 2024, with public debt expected at 38.6% of GDP at the end of 2024. The Netherlands agreed to refinance the loans offered as liquidity support during the pandemic that were due in October 2023 provided that several conditions were met including a rescue plan for the pension insurer Ennia, that was placed under CBCS' administration in 2018. The Government was willing to cooperate with the requirements of the Dutch Government and was offered short-term refinancing at an interest rate of 3.4%.

Table 1: Key Indicators and Projections

(%)	2019	2020	2021	2022e	2023f	2024f
Real GDP Growth	8.2	-13.3	4.6	9.8	3.9	2.7
Inflation	0.4	0.7	2.8	3.8	3.3	2.5
Unemployment Rate	6.5	14.9	15.0	8.6	7.2	6.4
Budget Balance/GDP	-1.2	-8.1	-3.9	-1.4	-1.6	-1.5
Public Debt/GDP	30.9	44.2	43.8	39.4	39.0	38.6
Nominal GDP (US$ bln)	1.4	1.2	1.4	1.6	1.7	1.8

Source: Centrale Bank van Curaçao en Sint Maarten and CIBC FirstCaribbean.

St. Vincent and the Grenadines

Summary of Key Performance Updates

Real GDP 2022	Stay-over Arrivals Jun 2023 (y-t-d)	Cruise Arrivals Jun 2023 (y-t-d)	Inflation Jun 2023 (y/y)	Debt/GDP Jun 2023
7.2%	52.0%	230%	5.3%	89.6%

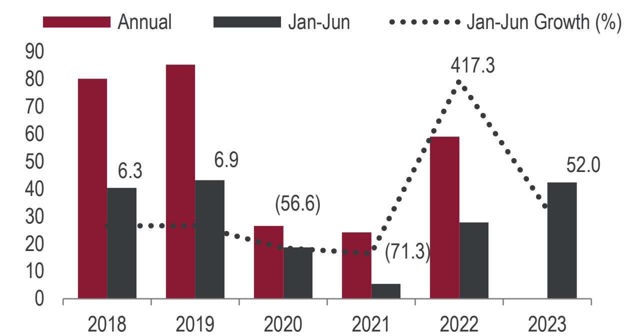
Production, Prices, and Employment

Economic activity in St. Vincent and the Grenadines likely expanded further during the first six months of 2023. Tourism services continued to rebound as the number of stayover arrivals rose 52.0% y/y to 98% of pre-pandemic levels, with arrivals from the US, UK and Canada all surpassing. Arrivals from the Caribbean, typically the largest source market, also increased (up 90.6% y/y), but fell below pre-pandemic levels by 26%. Cruise passenger arrivals expanded 229.9% y/y during the half-year, surpassing 2019's level by 14%, while yacht passenger arrivals rose 42.5% y/y.

The performance of visitor arrivals suggests improved output of accommodation and food services which likely supported increased production in related sectors including wholesale and retail trade, and transport storage and communication. Ongoing repairs to infrastructure damaged during the eruption of the La Soufriere Volcano likely also generated an uptick in construction output.

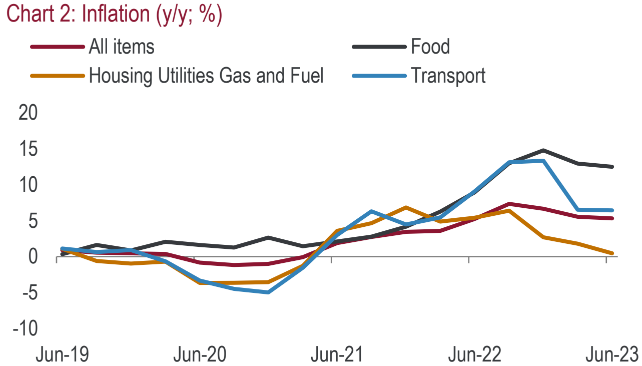
Consumer prices rose 5.3% y/y in June 2023, after peaking at 7.5% y/y in October 2022. The prices of food and non-alcoholic beverages and transport climbed 12.5% y/y and 6.4% y/y, respectively, while the price of housing utilities gas and fuels rose 0.5% y/y.

Chart 1: Stay-over Arrivals (000's)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 2: Inflation (y/y; %)



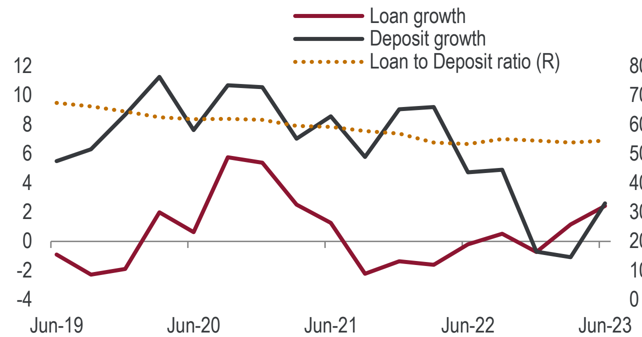
Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Developments in Financial Markets

Commercial banks' loan balances advanced 2.4% over the 12 months to June 2023. Loans to individuals declined 2.7% y/y, but credit to private and public entities increased 6.0% y/y and 11.9% y/y, respectively. Deposit balances rose 2.6% y/y reflecting higher holdings of individuals (up 1.7% y/y), corporates (up 2.8% y/y) and non-residents (up 7.5% y/y). The loan-to-deposit ratio fell marginally y/y to 54.9% at June 2023.

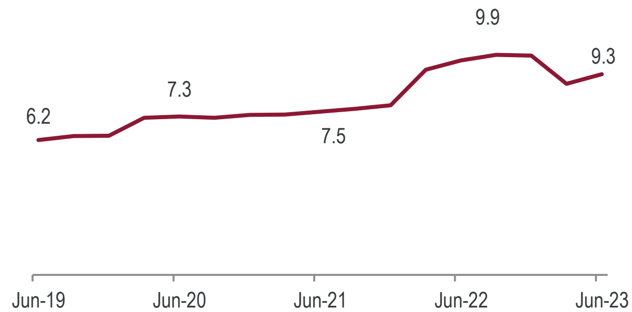
Banks' weighted average lending rate fell 43bps y/y to 7.10% at June 2023, while the deposit rate rose 6bps y/y to 1.27%. The non-performing loan ratio improved from 9.9% at June 2022 to 9.3% at June 2023, though it increased relative to one quarter earlier, while the annualised return on average assets improved from 0.1% in Q2 2022 to 0.7% Q2 2023. The regulatory capital to risk-weighted assets ratio fell to 16.5% at June 2023 from 21.5% one year earlier.

Chart 3: Financial Indicators (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

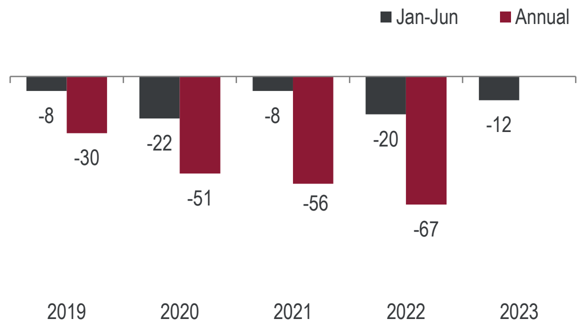
Government Debt

Increased revenue and grants outweighed greater public spending spawning a US$7.5mln improvement in the fiscal deficit to US$12.4mln during January to June 2023.

- Current revenue climbed US$13.0mln (10.9% y/y). Tax revenue rose US$5.5mln (5.0% y/y) as taxes on income and profits, international trade and transactions, and property declined US$1.1mln, US$0.3mln and US$2.5mln, respectively, but taxes on goods and services expanded US$9.4mln.
- Current spending rose US$9.7mln (8.0% y/y) reflecting higher payments for goods and services (up US$3.2mln), transfers and subsidies (up US$0.9mln), personal emoluments (up US$3.1mln) and interest (up US$2.7mln). Capital spending increased US$4.1mln (23.5% y/y).

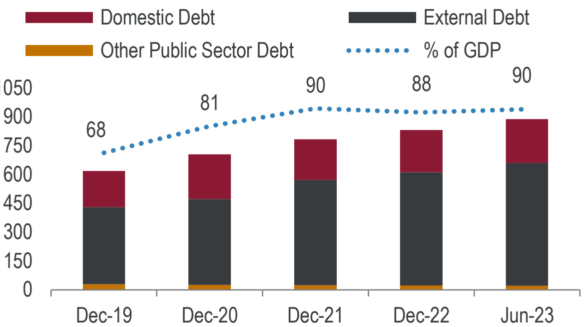
Central government debt rose US$57.7mln since December 2022 to US$868.1mln at June 2023, while the debt of public corporations fell US$0.9mln to US$9.6mln. Consequently, public debt stood at US$889.3mln (89.6% of GDP).

Chart 5: Fiscal Balance (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Chart 6: Public Debt (US$ mln)



Source: Eastern Caribbean Central Bank and CIBC FirstCaribbean.

Outlook

The IMF projects that real GDP growth of 6.2% in 2023 and 5.0% in 2024. In addition to the tourism rebound, the continued recovery of agriculture, greater construction activity as reconstruction continues, and several other public and private sector projects, including the Kingstown Port Development, the new hospital, and the Beaches Resort by Sandals are expected to support growth. Domestic inflation is also expected to continue to decelerate in 2023 in line with the anticipated decline in global commodity prices.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021e	2022f	2023f	2024f
Real GDP Growth	0.7	-3.7	0.8	5.5	6.2	5.0
Inflation[1]	0.9	-0.6	1.6	5.7	4.4	2.4
Primary Balance/GDP	-0.2	-2.9	-5.0	-7.2	-5.0	-4.3
Fiscal Balance/GDP	-2.1	-4.7	-7.3	-9.4	-7.6	-6.9
Government Debt/GDP	68.1	79.5	90.0	87.9	86.2	89.2
External Current Account/GDP	-2.3	-15.7	-22.7	-19.5	-17.6	-18.4
Nominal GDP (US$ bln)	0.9	0.9	0.9	0.9	1.0	1.1

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period

Trinidad and Tobago

Summary of Key Performance Updates

Real GDP Q1 2023	Unemployment Q2 2023	Inflation Aug 2023 (y/y)	FX Reserves Aug 2023	Debt/GDP Jun 2023
3.0%	3.7%	4.0%	34 weeks	66%

Production, Prices, and Employment

The Central Statistical Office estimates that following 0.7% y/y growth in Q1 2022, real GDP expanded 3.0% y/y in Q1 2023, driven by strong growth of the non-energy sector (up 4.2% y/y) and an uptick in the energy sector (up 0.3% y/y. Output of distribution and repairs, and transport and storage expanded 10.9% y/y and 16.7% y/y, while mining and quarrying and manufacturing rose 2.6% y/y and 1.6% y/y, respectively. However, construction output contracted 8.6% y/y.

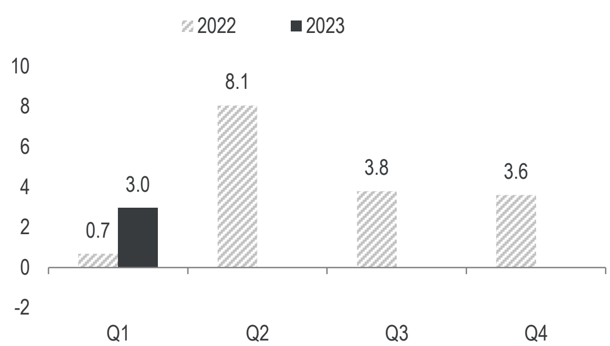
Preliminary indicators since then suggest that economic activity likely sustained this trend. Crude oil production declined 5.3% y/y during January to June, while output of natural gas fell 0.7% y/y but liquefied natural gas production rose 0.1% y/y. Output of ammonia contracted 6.5% y/y, but methanol production rose 7.6% y/y, but while exploration activity improved, with depth drilled and number of rig days increasing 38.6% y/y and 70.7% y/y, respectively. Meanwhile, the sale of new motor vehicles climbed 14.8% y/y during January to July, implying a continued increase in distribution output, while local sales of cement rose 2.6% y/y during January to June, but production of cement slipped 0.7% y/y.

The unemployment rate improved to 3.7% in Q2 2023, from 4.5% in Q2 2022. The number of persons with jobs rose by 24,700 persons (4.4% y/y), but the labour force increased by 20,900 persons (3.5% y/y), with the labour force participation rate improving from 54.4% to 56.2%. The unemployment rate for males stood at 3.5%, while the rate for females stood at 3.9%.

Retail price inflation softened further to 4.0% y/y in August 2023 after peaking at 8.7% in December 2022. Growth of food prices slowed to 5.6% y/y, while core prices slowed to 3.7% y/y, with the price of transport (up 7.8% y/y) representing the largest contribution to the increase.

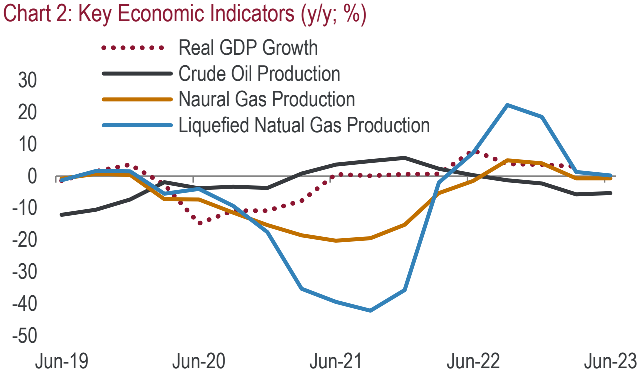
The Central Bank of Trinidad and Tobago (CBTT) maintained the repo rate at 3.5% in September 2023, aimed at fostering a steady recovery of economic activity, against the background of robust credit growth.

Chart 1: Real GDP (%)



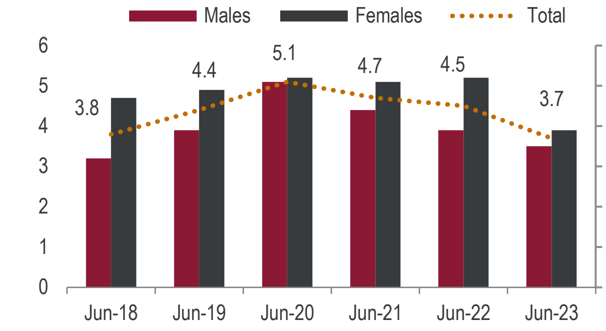
Source: Central Statistical Office and CIBC FirstCaribbean.

Chart 2: Key Economic Indicators (y/y; %)



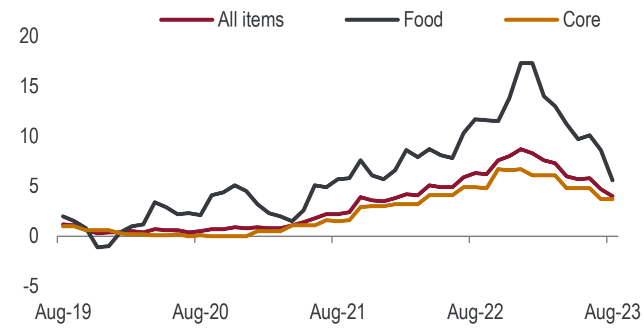
Source: Central Bank of Trinidad and Tobago, Central Statistical Office, and CIBC FirstCaribbean.

Chart 3: Unemployment Rate (%)



Source: Central Statistical Office and CIBC FirstCaribbean.

Chart 4: Inflation (y/y; %)



Source: Central Bank of Trinidad and Tobago and CIBC FirstCaribbean.

Developments in Financial Markets

Total loans of commercial banks and non-bank financial institutions expanded 8.9% over the 12 months to June 2023. Outstanding balances of private business firms climbed 9.0% y/y lifting corporate credit balances (up 10.8% y/y) alongside more modest expansions of the public and financial sectors. Loans to individuals also rose (up 6.6% y/y) as credit for consumer loans increased 7.1%, while real estate mortgages rose 6.3% y/y. Deposit balances of the consolidated system grew 4.5% y/y at June 2023, as holdings of private businesses and individuals fell 1.6% y/y and 1.3% y/y, respectively, but balances of the public and financial sectors expanded 18.0% y/y and 32.8% y/y, respectively.

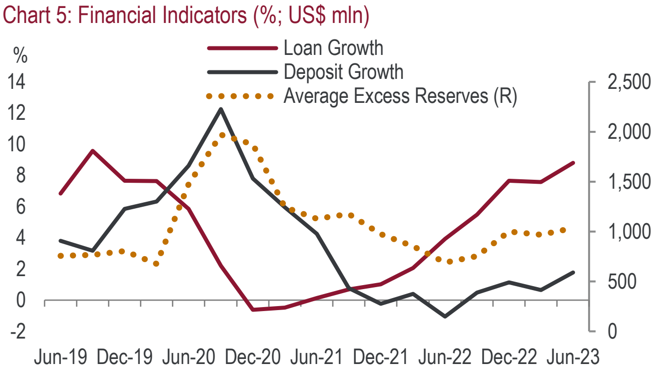
Even with the strong growth in credit, excess liquidity in the banking system remained elevated. The average excess reserves of commercial banks increased US$439.7mln y/y to US$1.07bln at August 2023. FX sales to authorised dealers to alleviate ongoing tightness in the domestic FX market totalled US$1.26bln, indirectly removing this amount from the system, but the Government's net domestic fiscal operations and open market operations introduced US$1.01bln and US$436.0mln, respectively.

Banks' TTD interest rate spread shrank further at June 2023. The weighted average lending rate fell 23bps y/y to 6.66%, but the weighted average deposit rate rose 5bps y/y 0.64%. Profitability of banks fell marginally as the 12-month return on average assets declined from 2.5% in Q2 2022 to 2.4% in Q2 2023, but asset quality improved slightly with the non-performing loan ratio falling from 3.3% at June 2022 to 3.1% at June 2023. Regulatory capital to risk-weighted assets slipped 0.3 percentage points y/y to 17.2% at the end of the same period.

Official FX reserves at the Central Bank fell US$548.6mln (8.1% y/y) to US$6.26bln (34 weeks of import cover) at August 2023.

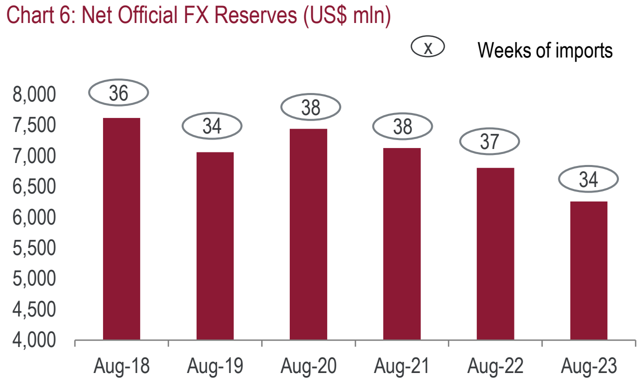
The Trinidad and Tobago composite stock price index declined 10.4% y/y and 8.4% year-to-date at August 2023.

Chart 5: Financial Indicators (%; US$ mln)



Source: Central Bank of Trinidad and Tobago and CIBC FirstCaribbean.

Chart 6: Net Official FX Reserves (US$ mln)



Source: Central Bank of Trinidad and Tobago and CIBC FirstCaribbean.

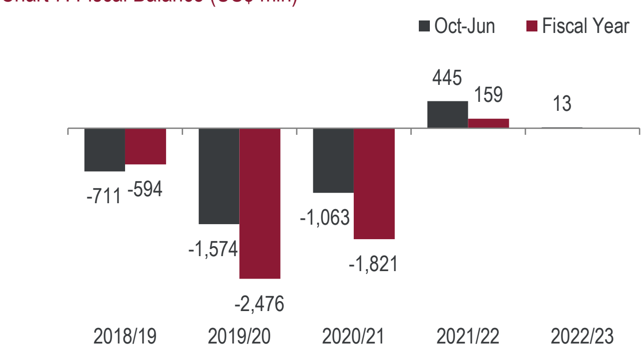
Government Debt

The Government's fiscal surplus narrowed by US$432.0mln to US$12.9mln over the first nine months of FY2022/23 ended June 2023. Energy receipts continued to expand, but greater outlays, largely on transfers and subsidies and interest, led to the weaker fiscal outcome.

- Current revenue climbed US$326.3mln (5.8% y/y) driven by a US$346.8mln (12.6% y/y) expansion in energy collections, but non-energy receipts fell US$20.5mln (0.7% y/y). Tax revenue rose US$187.4mln (3.9% y/y) bolstered by a US$268.0mln upswing in taxes on income and profits, while taxes on international trade rose US$21.9mln. However, taxes on goods and services declined US$102.5mln (10.6% y/y), while VAT receipts specifically, fell US$103.0mln, partly due to higher VAT refunds. Meanwhile, non-tax revenue rose US$139.0mln (16.0% y/y) the combined result of a US$119.6mln expansion from the energy sector and US$19.3mln increase from the non-energy sector. Capital revenue rose US$6.9mln (135.1% y/y).
- Government's current spending climbed US$678.9mln (13.7% y/y). Transfers and subsidies expanded US$525.1mln, US$131.4mln of which reflected higher transfers to households, including the petroleum subsidy, while another US$182mln reflected deposits into the Heritage Stabilisation Fund (HSF) in December. Interest payments rose US$109.2mln (26.7% y/y) reflecting greater charges on both domestic and external debt, while outlays for goods and services and wages and salaries rose US$39.9mln and US$4.7mln, respectively. Capital spending increased US$86.4mln (33.7% y/y).

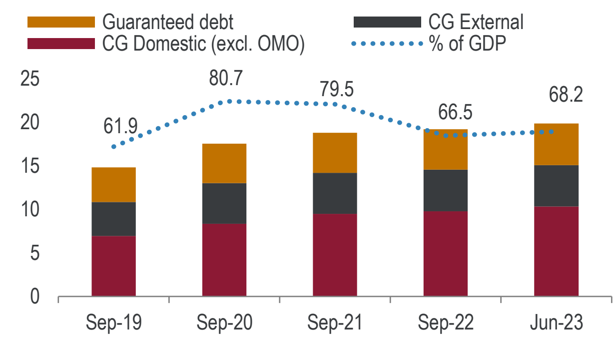
Central government domestic debt (excluding debt held for open market operations) rose US$561.4mln since September 2022 to US$10.2bln at June 2023, while central government external debt rose US$54.8mln to US$4.75bln. Total Adjusted General Government debt (excluding debt held for open market operations but including non-self serviced guaranteed debt) stood at US$19.85bln (68.2% of GDP) at the end of the same period. The HSF recovered to US$5.47B in June 2023 from US$4.71B at September 2022, largely reflecting a reversal of losses incurred during the previous fiscal year due to elevated market volatility.

Chart 7: Fiscal Balance (US$ mln)



Source: Central Bank of Trinidad and Tobago and CIBC FirstCaribbean.

Chart 8: Adjusted General Government Debt (US$ bln)



Source: Central Bank of Trinidad and Tobago and CIBC FirstCaribbean.

Outlook

The IMF's most recent projections suggest that following 1.5% growth in 2022, economic activity in Trinidad and Tobago will expand by 2.5% in 2023 and 2.2% in 2024, while maturing oil and gas fields are expected to contribute to slower real GDP growth over the medium-term. The domestic inflation rate is anticipated to continue to slow, falling to 2.9% in 2024. However, risks to the outlook remain high due to uncertainty in the global economic environment and potential impact of energy price shocks. The IMF now expects that the fiscal deficit will come in at 1.9% of GDP in FY2022/23, wider than the 1.3% of GDP deficit envisioned by the Government, while public debt will likely increase marginally over the medium-term on its current trajectory but remains sustainable.

Table 1: Key Indicators and Projections (IMF Estimates)

(%)	2019	2020	2021	2022f	2023f	2024f
Real GDP Growth	0.4	-9.1	-1.0	1.5	2.5	2.2
Inflation[1]	1.0	0.6	2.1	5.8	5.4	2.9
Primary Balance/GDP[2]	-0.6	-8.6	-5.4	2.7	0.9	0.7
Fiscal Balance/GDP[2]	-3.8	-12.2	-8.5	0.3	-1.9	-1.7
Central Government Debt/GDP[2]	46.4	62.3	61.6	51.0	52.5	52.9
External Current Account/GDP	4.4	-6.7	11.3	17.9	5.7	7.1
Nominal GDP (US$ bln)	23.2	20.2	23.9	30.1	27.9	29.6

Source: IMF World Economic Outlook Database, October 2023.

[1] Average for the period; [2] Fiscal year basis (October of previous year to September of stated year)

Turks and Caicos Islands

Summary of Key Performance Updates

Real GDP 2022	Stay-over Arrivals Jun 2023 (y-t-d)	Cruise Arrivals Jun 2023 (y-t-d)	Inflation 2022	Debt/GDP Jun 2023
6.2%	**8.0%**	**51.7%**	**6.0%**	**n.a.**

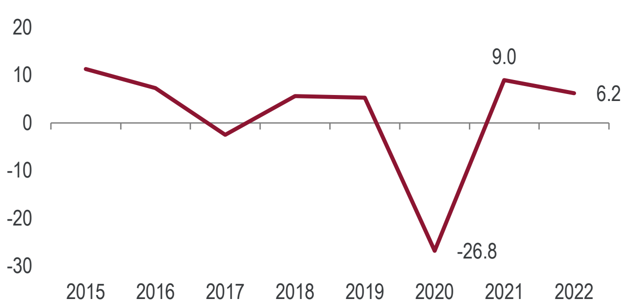
Production, Prices, and Employment

Following 6.2% growth in 2022, economic activity in the Turks and Caicos Islands likely continued to expand thus far in 2023. Stay-over arrivals advanced 8.0% y/y during January to June 2023, exceeding the corresponding pre-pandemic level by 18%, while cruise passenger arrivals climbed 51.7% y/y achieving 92% of 2019's level.

Remittance inflows increased 11.3% y/y during the first half of 2023 even though inflows from the largest source market, the US, slipped 0.4% y/y.

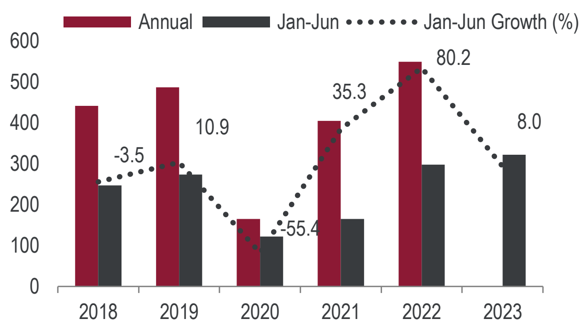
Latest available data from the Turks and Caicos Islands Statistical Department indicate that inflation accelerated to 6.0% in 2022 from 4.5% in 2021, while the unemployment rate improved from 9% to 8% over the same period.

Chart 1: Real GDP (%)



Source: Turks and Caicos Statistical Department and CIBC FirstCaribbean.

Chart 2: Stay-over Arrivals (000's)



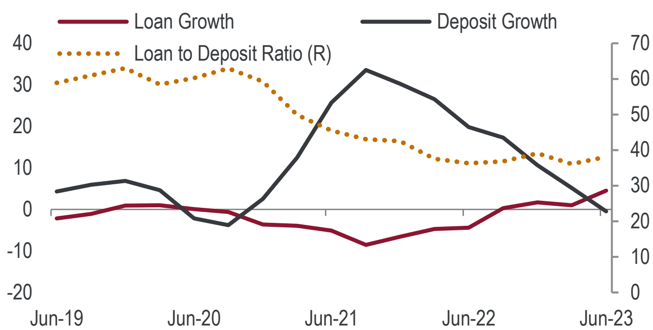
Source: Turks and Caicos Statistical Department, Turks and Caicos Islands Tourism Board and CIBC FirstCaribbean.

Developments in Financial Markets

Domestic banks' credit balances expanded 4.5% over the 12 months to June 2023. Loans to individuals advanced 5.7% y/y as consumer loans increased 7.3% y/y and mortgages expanded 4.5% y/y while loans to private business entities rose 2.9% y/y, largely reflecting increased credit to the tourism, public utilities, and construction sectors. Deposit balances slipped 0.5% y/y as balances held by individuals rose 6.6% y/y, but corporate and non-resident balances fell 0.6% y/y and 11.0% y/y, respectively. The loan-to-deposit ratio increased by 3.2 percentage points y/y to 38.1% at June 2023.

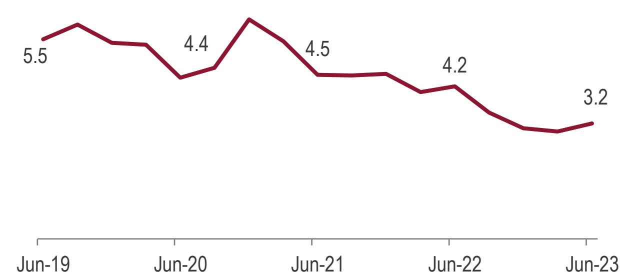
The level of non-performing loans declined 21.0% y/y, supporting a decline in the ratio to total loans from 4.2% to 3.2%, while banks' capital adequacy ratio increased from 26.6% to 34.2% at June 2023.

Chart 3: Financial Indicators (%)



Source: Turks and Caicos Islands Financial Services Commission and CIBC FirstCaribbean.

Chart 4: Non-performing Loan Ratio (%)



Source: Turks and Caicos Islands Financial Services Commission and CIBC FirstCaribbean.

Government Debt

Data on public finances after FY2022/23 remained unavailable up to publication time.

The Turks and Caicos Islands Government reported a US$73.0mln fiscal surplus during FY2022/23 ended March 2023, a moderate decline relative to the US$95.8mln surplus recorded during the previous fiscal year, as greater spending outweighed increased revenue collections.

- Current receipts expanded US$10.5mln (2.6% y/y) largely reflecting the net outcome of lower revenue from stamp duty on land transactions (down US$30.2mln), customs processing fees (down US$5.8mln) and fuel taxes (down US$2.5mln) and increased collections on import duties (up US$18.4mln), hotel and restaurant taxes (up US$16.2mln), work permits (up US$4.1mln) and other revenue (up US$10.9mln). Non-recurrent revenue increased US$4.6mln.
- Meanwhile, public spending climbed US$37.9mln (12.5% y/y). Current expenditure expanded US$53.7mln (19.8% y/y) reflecting increased spending across all major categories, most notably personnel costs (up US$10.4mln) due to inflation-linked salary adjustments, and grants and contributions (up US$10.0mln). US$7.0mln was also transferred to the new Citizens Empowerment Fund within the National Wealth Fund. However, non-recurrent spending fell US$15.7mln, primarily because of reduced outlays for statutory land acquisitions and lower COVID-19 expenses.

Public debt increased from US$0.54mln at the end of March 2022 to US$0.61mln at the end of March 2023, while Government's cash reserves rose from US$197.0mln to US$270.8mln over the same period.

Outlook

Economic activity in the Turks and Caicos Islands will likely continue to recover in 2023, albeit at a more moderate pace as visitor arrivals surpass pre-pandemic levels, while inflation will likely decelerate in line with global commodity prices and US inflation. However, slower economic growth in the US, Turks and Caicos Islands' largest tourism source market, coupled with uncertainty associated with geopolitical tensions remain potential sources of risk to the outlook.

About CIBC

CIBC is a leading and well-diversified North American financial institution committed to creating enduring value for all our stakeholders – our clients, team, communities and shareholders. We are guided by our purpose – to help make your ambition a reality, and we are activating our resources to create positive change and contribute to a more secure, equitable and sustainable future.

Across our bank and our businesses – Personal and Business Banking, Commercial Banking and Wealth Management, and Capital Markets –our 50,000 employees bring our purpose to life every day for our 13 million personal banking, business, public sector and institutional clients in Canada, the U.S. and around the world.

Canadian Personal and Business Banking

Canadian Personal and Business Banking provides clients across Canada with financial advice, products and services through a team in our banking centres, as well as through our direct, mobile and remote channels.

Our goal is to build a modern consumer and business relationship bank to help our clients achieve their ambitions by focusing on three key strategic priorities:

- Winning at relationships
- Delivering market-leading solutions
- Being easy to bank with

Canadian Commercial Banking and Wealth Management

Canadian Commercial Banking and Wealth Management provides high-touch, relationship-oriented banking and wealth management services to middle-market companies, entrepreneurs, high-net-worth individuals and families across Canada. We also provide asset management services to institutional investors.

We are focused on building and enhancing client relationships, being Canada's leader in financial advice and generating long-term, consistent growth. To deliver on this, our three strategic priorities are:

- Scaling commercial banking
- Increasing agility and efficiency in wealth management
- Deepening client relationships across our bank

U.S. Commercial Banking and Wealth Management

U.S. Commercial Banking and Wealth Management provides high-touch, relationship-oriented commercial, personal and business banking, as well as wealth management services to meet the needs of middle-market companies, executives, entrepreneurs, high-net-worth individuals and families in the U.S. markets we serve

Our goal is to build the best-in-class commercial and wealth management bank for our chosen client segments and markets with a focus on developing deep, profitable relationships leveraging the full complement of CIBC's products and services across our North American platform. To deliver on this, our three key strategic priorities are:

- Growing organically by adding and deepening our client relationships and selectively entering additional markets and specialty businesses
- Continuing to build a strong U.S. operating platform by investing appropriately in our growth
- Maintaining our risk discipline through selective evaluation of new opportunities, portfolio diversification, and quality of funding sources

Capital Markets

Capital Markets provides integrated global markets with products and services, investment banking advisory and execution, corporate banking solutions, and top-ranked research to corporate, Government and institutional clients around the world.

Our goal is to be the leading capital markets franchise for our core clients in Canada and the lead relationship bank for our key clients globally by delivering best-in-class insight, advice and execution. To enable CIBC's strategy and priorities, we collaborate with our partners across our bank to deepen and enhance client relationships. To deliver on our goal, our three key strategic priorities are:

- Being the leading capital markets platform in Canada for our core clients
- Building a North American client platform with global capabilities
- Increasing connectivity across CIBC to deliver better service for clients

About CIBC FirstCaribbean

CIBC FirstCaribbean International Bank is a relationship bank offering a range of market-leading financial services through our Corporate Investment Banking, Wealth Management, and Retail Banking segments.

Headquartered in Warrens, Barbados, we provide banking services to our clients through approximately 2,600 employees, in 80 branches and offices. We are one of the largest, regionally listed financial services institution in the English and Dutch-speaking Caribbean.

As a member of the CIBC Group of companies, we share with them an organizational culture based on core values of Trust, Teamwork, and Accountability.

CIBC FirstCaribbean operates within a well regulated environment, under the supervision of the ten banking regulators across our 13 markets, including Antigua and Barbuda, The Bahamas, Barbados, British Virgin Islands, Cayman Islands, Curaçao, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Maarten, Trinidad and Tobago and Turks and Caicos Islands.

CIBC FirstCaribbean is traded on the stock exchanges of Barbados, Trinidad and Tobago, The Bahamas and Eastern Caribbean.

A full service institution, we lead the market in providing innovative solutions for our clients, including:

- State-of-the-art branch banking which is currently being rolled out across the region, featuring a functional, ergonomic environment with electronic, seated queuing systems for service identification and prioritization; dedicated corporate banking facilities and wealth management services in an upscale, lounge-type setting
- A range of electronic banking solutions for full service in quick time, including an enhanced internet and mobile banking service.
- Enhanced private banking service for Domestic Wealth Management clients, including Platinum Service priority access in branches, dedicated wealth management centres, financial advice by certified financial planning experts and Platinum cards services for the discerning customer.
- Support for corporate clients with best-in-class relationship management products and services.

CIBC FirstCaribbean is focused on developing strong relationships with its clients and is committed to being a best practice institution, with a focus on listening to and working closely with our clients to help them achieve what matters to them.

Notes

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