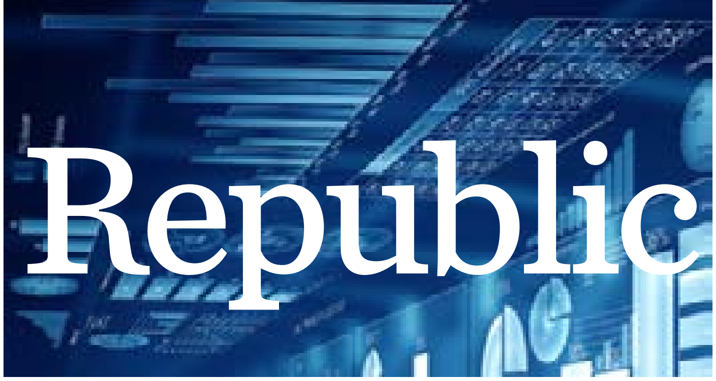

Republic Economic
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Low Production Limits the Benefit of High Energy Prices

OVERVIEW

While the further rise in commodity prices provided a fillip to government's finances during the second quarter of 2022, they also inflicted further hardships on the average household, with rising food prices eliciting the most concern. During the period, Headline inflation increased to 5 percent year-on-year (y-o-y) from 4 percent in the previous quarter. Regarding the public purse, high energy prices gifted government a third successive quarterly fiscal surplus, building on the $654.1 million surplus realised in the first half of the fiscal year (Oct 2021-Mar 2022).

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

Indicator	2021	2021.2	2022.2 p/e
Real GDP (% change)	-1.0	-7.0*	-1
Retail Prices (% change)	2.01	0.61	1.49
Unemployment Rate (%)	5.4	5.1	4.5
Fiscal Surplus/Deficit ($M)	-13,741.70	-3,269.1	2,360.80
Bank Deposits (% change)	-0.22	-0.6	0.46
Private Sector Bank Credit (% change)	2.72	-0.5	3.3
Net Foreign Reserves (US$M)	10,859.3	10,318.2	10,845.5
Exchange Rate (TT$/US$)	6.73/6.78	6.73/6.78	6.73/6.78
Stock Market Comp. Price Index	1,496.90	1,402.56	1,381.59
Oil Price (WTI) (US$ per barrel)	68.21	66.19	108.93
Gas Price (Henry Hub) (US$ per mmbtu)	3.91	2.94	7.48

Source: - Central Bank of Trinidad and Tobago, TTSE, Energy Information Administration
p - Provisional data
e -Republic Bank Limited estimate
*** - Estimate based on CBTT's Index of Economic Activity**

Elevated fuel prices also generated some momentum for the domestic economy but were at least partially offset by reduced production. In the non-energy sector, available data on the barometers of economic activity suggest that there was some slowing in the second quarter, likely owing to the impact of inflation and uncertainty related to the ongoing Russia-Ukraine conflict. In this environment, Republic Bank estimates that economic activity contracted by 1 percent compared to the first quarter of 2022, while unemployment fell slightly to 4.5 percent from 5.1 percent. Given the pervasive uncertainty that obtained at the time, it was no surprise that activity on the domestic stock market contracted during the period, with the Composite Price Index falling by 3.6 percent to reach 1,402.56 at the end of June.

ENERGY

With the events surrounding the ongoing Russia-Ukraine war driving international energy prices even higher in the second quarter of 2022, most producer-nations benefitted from an even greater windfall. During the period, Henry Hub gas prices increased by 60.5 percent over first quarter 2022 levels to US$7.48 per million British thermal units (MMBTU). This was paired with a 14.4 percent increase in West Texas Intermediate (WTI) oil prices to US$108.93 per barrel. These robust price increases caused the domestic fiscal outturn to improve substantially between April and June 2022, notwithstanding disappointing developments regarding upstream production.

For yet another quarter, the country's ability to benefit from the high-price environment was restricted by weak output, with declines in both oil and gas production. Daily oil output in the second quarter averaged 58,507.7 barrels per day (b/d) down 2 percent from first quarter levels and 1.6 percent below the mark reached in the second quarter 2021. Similarly, daily gas production fell 5 percent below the figure recorded in the first quarter of 2022 to average 2,581.3 million standard cubic feet per day (MMSCF/d). However, this figure was 2.6 percent above the output achieved in April-June 2021. The fall in upstream activity was reflected in the downstream yields, with ammonia, methanol and urea production contracting on a y-o-y basis by 18.9 percent, 7.6 percent and 8.9 percent, respectively. On the other hand, liquefied natural gas experienced a 19 percent increase in output.

During the second quarter of 2022, the gauges of exploration activity moved in contrasting directions. While total rig days increased to 292 from 39 in the previous quarter, it remained below the 302 recorded a year earlier. On the other hand, total depth drilled (77,048ft) was 73 percent above the figure posted in the same period in 2021 and substantially above the 4,245ft recorded in first quarter 2022.

NON-ENERGY

Activity in the non-energy sector during the second quarter could probably best be described as tepid. When data on how the Retail Sales Index fared during the quarter is released, it is unlikely to reflect a significantly improved performance after the fragile 0.2 percent expansion recorded in first quarter 2022. In the first quarter, increased sales of construction materials (14.1 percent y-o-y), motor vehicle and parts (17 percent), among others, were offset by declines in household appliances, furniture and furnishings (-8.3 percent), and supermarkets and groceries (-6 percent) to name a few. Based on available data on cement sales in the second quarter, the performance of the construction material sub-index will again be among the strongest. The 117,060 tonnes of cement sold domestically between April and June, was more than double the amount in second quarter 2021. Nevertheless, the figure was marginally (0.2 percent) below first quarter 2022 sales. This suggests that construction activity was substantially above the levels of the same period in the previous year, even though it eased slightly in comparison to first quarter 2022. The sale of new motor vehicles, which was traditionally used as a proxy for the distribution sector, fell by 0.9 percent compared to the previous quarter but the tally of 2,318 was 2.3 times the number sold in second quarter 2021. Notwithstanding the fall in its capacity utilisation to 60.3 in the first quarter, the manufacturing sector is estimated to have recorded a positive performance between April and June 2022.

FISCAL

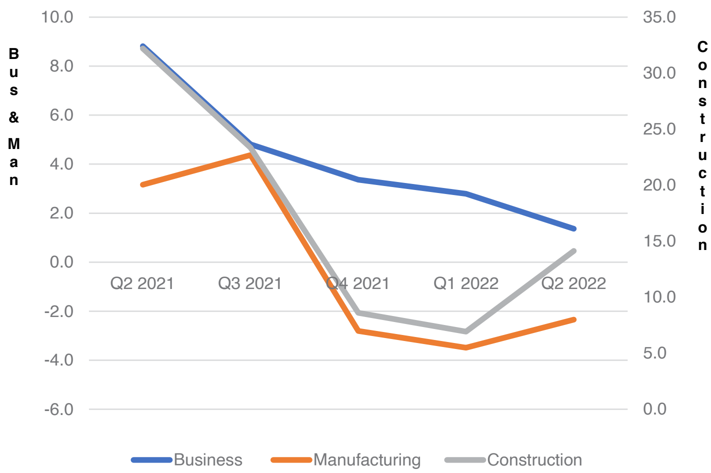
High energy prices propelled government revenue to $14,503.1 million in the second quarter, 80 percent higher than the $8,061.4 million realised in the same period a year earlier. This significantly outweighed the 7.2 percent rise in expenditure to $12,142.2, producing a fiscal surplus of $2,360.8 million. The outturn was driven by a 250 percent increase (y-o-y) in energy revenue from $2,385.4 million to $8,357.9 million and a 7.7 percent expansion in non-energy receipts to $6,112.7 million. In his reading of the 2022/2023 National Budget, the Finance Minister revealed a $2.4 billion fiscal deficit (1.3 percent of GDP) for the 2021/2022 fiscal year, with public debt falling to 70.4 percent of GDP from 79.5 percent in the previous fiscal year. The 2022/2023 budget is based on an oil price of US$92.50 per barrel and a gas price of US$6 per MMBTU. The budget targets a fiscal deficit of $1.5 billion (0.8 percent of GDP) based on expected revenue of $56.2 billion and expenditure of $57.7 billion.

MONETARY

Rising inflation has been a major cause of worry throughout the first half of 2022, particularly as it relates to food. Food prices rose by an average of 8.2 percent in the second quarter compared to 7.7 percent in the previous quarter and 3 percent in second quarter 2021. This acceleration, together with the increase in core inflation to 4.1 percent from 1 percent between April and June 2021, pushed Headline inflation to 5 percent. These inflationary pressures combined with the fragile domestic economic recovery and rising international interest rates, especially in the US, have made the execution of Central Bank's monetary policy more complexed. In its June 2022 monetary policy announcement, the Bank opted yet again to maintain the Repo rate at 3.5 percent, even as it acknowledged that higher international rates had already caused the short-term TT-US interest rate spread to slip into negative territory. In May, the rate of US 3-month treasuries was 73 basis points above domestic instruments with similar tenor. The negative interest rate spread increases the risk of capital flight as domestic investors look to take advantage of higher international rates. Nevertheless, the Bank decided to maintain its focus on supporting the domestic economy. Even so, with the US Federal Reserve increasing its benchmark rates by 75 basis points in July and then again in September, the Central Bank will be facing substantially greater external pressures going forward.

Against a backdrop where the commercial banks' average basic prime lending rate remained at 7.57 percent, the demand for credit expanded in the second quarter of 2022. Commercial bank loans to consumers grew by 0.8 percent compared to the previous quarter but were 4 percent above the figure of a year ago. The expansion of business loans was even more robust, rising by 3.3 percent on a quarterly basis and 8.8 percent y-o-y. Real estate mortgage loans recorded a 1.4 percent quarterly increase but were 4.5 percent above the levels of a year ago. Reflective of the significant y-o-y increase in construction activity, loans to the sector shot up by 32.2 percent over second quarter 2021 levels. Manufacturing loans grew by a much more controlled 3.2 percent y-o-y.

Figure 1: Loan Growth (%)

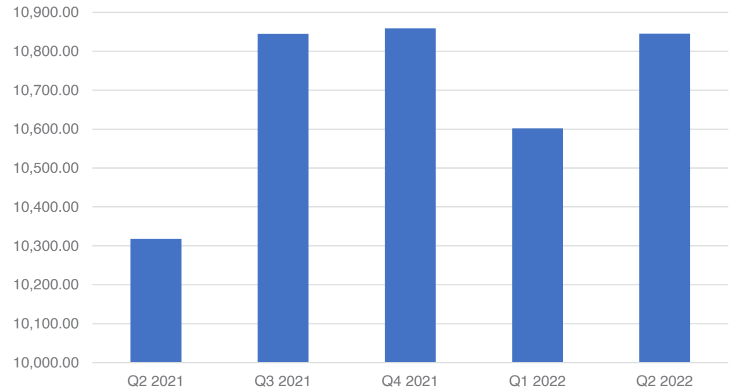


Source: CBTT

RESERVES

Although elevated energy prices positively impacted the country's stock of foreign currency, they did not result in a substantial increase. Accordingly, the market for foreign exchange remains tight. In June 2022, the nation's net foreign position increased to US$10,845.5 million or 8.2 months of import cover (MIC). This was 2.3 percent above the US$10,601.9 million (8.1 MIC) of three months prior and 5.1 percent above June 2021 levels. Between April and June 2022, the net sale of foreign currency increased by 8 percent y-o-y but was 3 percent below the previous quarter. The TT-US exchange rate remained at TT$6.78 per US$1.

Figure 2: Net Foreign Position (US$mn)



Source: CBTT

OUTLOOK

Monetary policy tightening in the US and Europe, together with weaker-than-expected growth in China are fueling fears that the global economy may fall into recession soon. Indeed, the US and the UK have recently reported contractions in real GDP. Against this backdrop, energy prices have eased in the third quarter. Prices are expected to soften further, heading into the final months of the year, although the events surrounding the ongoing war will keep them elevated. In this regard, the domestic economy may receive slightly less impetus from the energy sector in the second half of 2022. In the fourth quarter, the non-energy sector is likely to benefit from the usual seasonal boost provided by the Christmas season and the events leading up to the first national Carnival since 2020. Additionally, with local government elections due before the end of 2022, retailers, printers, transport service providers etc. should face increased demand in the lead-up. Nevertheless, activity in the non-energy sector may be curtailed by inflationary pressures, which suppress real incomes. Despite this, the domestic economy is projected to register a positive performance in the second half of 2022.

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Caribbean policymakers should prepare for new external shocks

Overview

Overview
In the first half of 2022, regional tourism-dependent economies benefitted from healthy activity in the sector. However, it should be noted that the number of visitors has not returned to the pre-pandemic levels for most Caribbean tourism destinations. Against a backdrop of high global prices, there were also some positive developments for commodity-exporters. These elevated prices have also imposed significant negative consequences on the region, with inflation eroding consumer purchasing power and constraining growth. The causes of the inflationary pressure (pandemic-related dislocations and the war in Ukraine) have also exacerbated food insecurity in the region. According to the results of a survey conducted by the Caribbean Community (CARICOM) and the United Nations World Food Programme (WFP), the number of people facing food insecurity grew by 1.3 million to approximately 4.1 million (57 percent) in the six months to September 2022.

Anguilla

In the first five months of 2022, Anguilla recorded 33,347 stop-over arrivals, which represented a 421 percent increase compared to the similar period in 2021. The US was the main tourism source market, as it contributed 26,192 long-stay arrivals. However, the largest increase in stop-over arrivals came via the Canadian market, which grew by approximately 1,200 percent. Anguilla's tourism industry should experience further growth heading into the busy winter period, with increased flights to the island expected during the period. On October 7th, 2022, American Airlines commenced its service of four flights each week between Miami and Anguilla. In addition, from November 3rd, the airline will run a daily service to Anguilla, with two flights on Saturdays and by December 18th, the airline will operate a daily service with two flights on Mondays, Wednesdays, Saturdays and Sundays. Nevertheless, while these additional flights are expected to provide a major boost to the tourism sector, the island destination continues to shun cruise tourism. According to Anguillan tourism officials, the revenue generated from cruise tourism is not substantial enough to take on the added risks from this industry. The island is seeking to reposition itself in the high-end niche market.

Barbados

Barbados recorded double digit economic growth of 10.5 percent over the first half of 2022, which was mainly attributed to a rebound in the tourism sector. In the January to July period of 2022, Barbados attracted 242,610 long-stay arrivals, which was 698.2 percent above the amount recorded in the same period of 2021. The main source market was Europe, which contributed 112,792 stop-over arrivals. Europe also registered the largest increase in long-stay arrivals (approximately 1198 percent). There were also increased arrivals in the cruise sub-sector with a total of 115,988 cruise visitors, which was a 5484 percent y-o-y increase. The country's unemployment rate continued to decline, falling from 17.2 percent in early 2021 to 9.0 percent for the first quarter of 2022, as pandemic restrictions eased. International reserves remained relatively stable, at approximately BDS$3,008 million in June, equivalent to 33.7 weeks of import cover. Barbados' Prime Minister, Ms. Mia Mottley, recommended that the island destination focus more on attracting new visitors from different tourism source markets. Her suggestion came in light of the British pound depreciating to historic lows against the US dollar, to which the local currency is pegged. According to the Economic Commission for Latin America and the Caribbean (ECLAC), Barbados' economy is projected to grow by 5.9 percent in 2022. This is good news, given that a study by the Inter-American Development Bank (IDB) revealed that Barbados was seriously affected by the COVID-19 pandemic. In comparison to The Bahamas, Belize, Guyana, Jamaica and Trinidad and Tobago, Barbados suffered the third deepest shock in 2020, which continued well into 2021.

On September 28th, the International Monetary Fund (IMF) stated that it agreed to US$293 million in new financing for Barbados, including US$183 million via the new Resilience and Sustainability Trust fund created to help vulnerable middle-income and island countries. Barbados also entered into a new, 36-month Extended Fund Facility (EFF) loan agreement of about US$110 million with the Fund, with both agreements subject to approval by the IMF Executive Board toward the end of the year.

British Virgin Islands (BVI)

In the first half of 2022, long-stay arrivals increased by 445.3 percent, with a total of 90,140 visitors. Activity in the cruise industry improved, with 175,498 cruise passengers visiting the islands during the first six months of the year, compared to zero in the same period of 2021. With new incorporations increasing by 4.4 percent y-o-y, the financial sector is poised to register a better performance than it did in 2019. The sector's long-term viability may be enhanced by the recent strengthening of the Anti-Money Laundering (AML), Counter Terrorist Financing (CFT) and Counter Proliferation Financing (CPF) laws. The amendments came into effect at the end of August 2022 and cover among other issues, virtual asset businesses. However, certain regulations that relate to Virtual Asset Service Providers (VASPs) will only come into effect on December 1st, 2022.

Cayman Islands

In the first half of 2022, the Cayman Islands recorded 114,201 long-stay arrivals, which represented a 2557.7 percent y-o-y increase. Visitors from the US accounted for the largest proportion of arrivals, contributing 92,514 long-stay arrivals. The largest increase was also recorded by the US market, which expanded by 3,785.5 percent y-o-y. The resumption of cruise ship activity provided a decent boost for the tourism industry. The Cayman Islands registered 212,997 cruise passengers in the first half of 2022 compared to zero in the same period of 2021. Heading into the busy winter period, the tourism sector may benefit from increased airlift via Cayman Airways. On November 5th, 2022, the domestic airline is scheduled to commence a nonstop flight service from Los Angeles Airport (LAX) to Owen Roberts International Airport (GCM) on Grand Cayman. Furthermore, the Caribbean destination will get the opportunity to market its tourism product to the rest of the world when it hosts the 2023 Florida-Caribbean Cruise Association (FCCA) PAMAC Conference.

On another positive note, despite a significant increase in public spending over the last six months, government accounts have been kept in the black due to the revenue collected from property sales and the financial sector. Government has spent over $50 million more than forecasted in the budget but still achieved a surplus of $159 million, which is $14 million more than projected. This is because of the record-breaking revenue of $636 million collected so far this year. The sale of property generated an additional $18.2 million over the budget as a result of both volume and value. During the first three months of 2022, real GDP increased by 3.8 percent y-o-y. The number of persons employed in the Cayman Islands increased by approximately 15 percent since the last census a year ago. According to the latest Labour Force Survey, the workforce also grew by 11.7 percent to a record level of 54,398. The overall unemployment rate stood at just 3 percent, with just over 5 percent of Caymanians in the workforce still jobless.

Cuba

Tourism activity improved in the first seven months of 2022, as long-stay arrivals increased by 491 percent y-o-y. Arrivals from Canada contributed 31 percent (258,896) of total stay-over visitors. In light of the current global challenges brought on by COVID-19 and the ongoing Russia-Ukraine war, Cuba is taking steps to boost its economy. Job creation is also on the government's current agenda. Action is also being taken by the Ministry of Economy and Planning (MEP) to facilitate the growth of small businesses. On September 7th, 2022, the ministry approved 106 applications for the creation of micro, small and medium-sized enterprises (MSMEs) and since the inception of its MSME expansion strategy in September 2021, the private sector has witnessed gradual growth. Based on current trends, the MEP estimates that 86,448 new jobs could be created within the next year because of this initiative. Nevertheless, currency shortages represent a significant threat for the business sector, and ultimately, the health of the overall economy. Recently, the Cuban Peso (CUP) reached a historic low. On October 1st, 2022, the CUP depreciated to 198 pesos to the US dollar (USD) and experts project that the exchange rate could soon exceed 200 pesos and even reach as high as 300 pesos to the USD.

Dominica

During the first seven months of 2022, Dominica recorded 28,695 long-stay arrivals, which was 331.4 percent greater than the figure recorded in the similar period of 2021. The number of cruise passengers also increased to 100,464 in the first seven months of 2022 from 141 in the same period in 2021. Even yachting activity improved, as yacht passengers grew by 885 percent y-o-y in the first quarter of 2022. This was a major turnaround from what occurred in the previous year, as yacht passengers contracted by 98 percent y-o-y in the first quarter of 2021. Regarding future tourism-based investments, the construction of the International Airport will commence by late 2022 and is expected to be completed by the end of 2026. This project will also compliment the initiatives aimed at increasing the quality and quantity of room stock in Dominica. In response to the current challenges in global trade, Dominica is seeking to strengthen its trade ties with CARICOM, as it is moving towards establishing trade depots in other Caribbean countries. Resilience building remains at the forefront for the island state, given that the country recently signed a Pre-Financing Agreement for the full operationalisation of the Dominica National Conservation Trust Fund (DNCTF). Once fully operational, the fund can help finance long-term conservation and biodiversity projects within the region. Furthermore, the recent purchase of an industrial-grade multi-fruit extractor augurs well for the domestic agro-processing sector. This investment was funded through the country's Export-Import Agency and will help facilitate the sale of locally manufactured fruit products to international markets.

Grenada

Tourism activity seems to be recovering at a healthy rate since the beginning of 2022. During the first seven months of the year, long-stay arrivals increased by 358.4 percent y-o-y. Grenada recorded 69,495 long-stay arrivals during the January to July 2022 period, with the US being the largest market (42,483). Europe was the second largest market, with 15,098 long-stay arrivals. Grenada also benefitted from the return of cruise tourism activity, with 107,937 cruise passengers visiting during the period compared to zero in the same period of 2021. To enhance the sector's long-term prospects, the

Grenada Tourism Authority (GTA) will focus on the creation of long-term sustainable strategies to grow the commercial and developmental interests of Grenada. The GTA is hoping to deliver a revolutionary tourism product in the near future.

With global inflation placing significant pressure on many emerging and developing economies, the government of Grenada is seeking to alleviate the impact by controlling freight charges. For the period October 1st, 2022 to March 31st, 2023, the country will implement a freight cap on all imported goods.

Guyana

Guyana recorded real GDP growth of 36.4 percent in the first six months of 2022, with annual growth projected to reach 57.8 percent. During the period, the non-oil and mining and quarrying sectors grew by 8.3 percent and 64.6 percent, respectively. The strong economic growth was mainly attributed to offshore oil production. For the first half of 2022, the government recorded a total of five oil lifts from the Liza 1 and Liza 2 wells, which yielded US$307 million in profit and US$37.1 million in royalties. As a result, the nation's Natural Resource Fund stood at US$750 million in mid-2022. These energy sector developments augur well for Guyana's economy. Moreover, with the Payara and Yellowtail wells expected to come on stream in 2023 and 2025, respectively, the IMF predicts that oil production could reach 750,000 barrels per day (b/d) by the end of 2025. In providing guidance, the IMF has urged Guyanese authorities to refrain from excessive spending based on energy sector revenue, as this can make the country susceptible to the Natural Resource Curse, characterised by significant inflationary pressures, eroding competitiveness from real exchange rate appreciation, and governance concerns.

With the current trends of high food and energy prices, the 2022 inflation rate is projected at 5.8 percent, marginally up from the 5.7 percent of the previous year. Government officials have held bilateral talks with their Saudi Arabian and Chinese counterparts, in July and August respectively, with a view to encouraging investment in Guyana. In some more positive news, British Airways is scheduled to begin bi-weekly flights from London's Gatwick Airport to Guyana in the first quarter of 2023.

St. Kitts and Nevis

During the first seven months of this year, long-stay visitors increased by 534.7 percent compared to the similar period of 2021. The US continued to be the largest source market with 31,196 long-stay arrivals. Arrivals from the cruise sector also improved, measuring 189,913 cruise passengers in the first quarter of 2022 compared to zero in the first three months of the previous year. Excursionists also increased from 29 in the first quarter of 2021 to 529 in the first quarter of 2022, while total visitor expenditure increased from EC$9 million to EC$81 million. Yacht passengers also improved from 6 in the first quarter of 2021 to 702 in the same period of 2022. In August, St. Kitts and Nevis' COVID-19 travel restrictions were lifted. The territory is now open to both vaccinated and unvaccinated visitors who can travel without restriction.

St. Lucia

After the first seven months of 2022, St. Lucia recorded 209,929 stop-over arrivals, which represented a 133.5 percent increase from the number recorded in the same period of 2021. There was also a rise in cruise sector activity, as visitors in this regard, increased from 1,636 to 165,266 in the first seven months of 2022. The number of excursionists increased from 935 in the first quarter of 2021 to 1,877 in the first quarter of 2022. For the first quarter of 2022, tourism spend also improved, as total visitor expenditure increased by 374 percent y-o-y. The yacht industry also performed well, attracting 3,702 yacht passengers in the first quarter of 2022, compared to just 241 yacht passengers in the first three months of 2021. The Economic Commission for Latin America and the Caribbean (ECLAC) projected that St. Lucia will record the highest real GDP growth in 2022 (8 percent) among all Eastern Caribbean Currency Union (ECCU) member states. Due to price hikes brought on by the ongoing Russia-Ukraine conflict, the current administration has provided financial aid totaling EC$1.5 million to government pensioners. St. Lucians will also get some relief via a US$5.2 million loan from the Caribbean Development Bank (CDB), which will help expand the country's social protection programmes.

St. Vincent and the Grenadines (SVG)

In the first half of 2022, SVG recorded 27,854 stay-over tourists, which was significantly above the levels of the same period in 2021, but substantially below pre-pandemic levels. Total cruise arrivals increased to 54,846 compared to zero in the same period of 2021. The number of excursionists increased from 37 in the first quarter of 2021 to 88 in the first quarter of 2022. The yachting industry also made a respectable rebound, as yacht passengers increased from 925 in the first quarter of 2021 to 10,786 in the first quarter of 2022. Total visitor expenditure increased from EC$10.6 million in the first quarter of 2021 to EC$36 million in the first quarter of 2022. The tourism sector should benefit further from the return of service from both Air Canada and American Airlines by March 2023. In addition, the Caribbean state continues to build its room stock with the construction of hotels and villas. Although SVG is subject to downside risks such as natural disasters and the negative spillover effects from the Russia-Ukraine war, the IMF forecasts a positive economic performance over the short-term. The Fund predicts real GDP growth of 5 percent in 2022. The PetroCaribe agreement between Venezuela and St. Vincent and the Grenadines has been revived. SVG will receive approximately 23,000 barrels of oil by the end of October, at what is expected to be a 35 percent price discount.

Sint Maarten

Like many tourism-dependent economies in the Caribbean, Sint Maarten's tourism industry performed well in the first seven months of 2022. During the period, the tourist destination recorded 231,717 long-stay arrivals, which was 78.4 percent higher than the amount registered in the same period for 2021. Encouragingly, this was also above pre-pandemic levels, making Sint Maarten one of the few destinations in the world to accomplish the feat. The main source market was the US, with 140,398 long-stay arrivals coming from that country. The cruise industry also recorded an improved performance, as cruise passengers increased from 5,091 to 428,922.

Suriname

During the third quarter of 2022, there were many positive developments for Suriname's oil sector. In early July, Staatsolie made the announcement that it was preparing to auction 60 percent of the country's offshore blocks over the next 12 months. The future of drilling and exploration activity seems promising, as Shell, APA Corporation (APA Corp) and TotalEnergies stated that they were planning to drill a total of five exploration wells in 2022. This increased drilling activity has already paid dividends, as on August 22nd, APA Corp and Suriname's Staatsolie announced the discovery of a large oil reserve off the coast of Suriname in Block 53. Moreover, in the following month, PETRONAS Suriname E&P B.V. announced its first oil discovery in Suriname at the Baja-1 well in the same Block 53. Six discoveries were made in Block 53 since January 2020.

In late July 2022, the Central Bank of Suriname (CBS) announced plans to tighten its supervision of the foreign exchange market to stabilise the domestic currency, which has been facing significant downward pressure since May 2022. The situation has been compounded by the increase in global oil and food prices. On August 31st, Suriname's National Assembly approved the implementation of a 10 percent value added tax (VAT) to be levied from January 1st, 2023.

Region

Jamaica's tourism sector made a strong rebound and the island was the region's fastest-growing tourist destination during the summer period. During the period, the island destination lured 5,000 more visitors than it did in 2019 and tourism earnings were 20 percent higher than the same period in 2019. At the beginning of 2022, Jamaica's tourism sector was projected to earn US$3.5 billion and welcome approximately 2.3 million stopover visitors for the year. However, based on recent performances, tourism earnings and stopover visitors are now projected to be US$4.2 billion and 2.6 million, respectively. Turning to finance, private sector credit growth is projected to be weaker over the next year due to recent monetary policy actions. In June, the Bank of Jamaica (BOJ) increased its policy rate which will increase the cost of borrowing over the next 12 months.

In other developments across the region, CARICOM expressed grave concern about Haiti's deteriorating economic, political and security environment. There is a breakdown of law and order in the country, with security forces unable to address the ongoing violence. Armed gangs have aggravated the economic crisis in Haiti. There is limited food available and the high cost of living is making life difficult for citizens. In June of this year, inflation climbed to 29 percent, with the price of imported goods surging to above 40 percent. Owing to these developments, the Bank of the Republic of Haiti predicts an economic contraction of 0.4 percent this year.

Outlook

In light of the economic challenges presented by the pandemic and the Russia-Ukraine war, the region will need to make some adjustments. Furthermore, given the growing level of uncertainty around the globe, Caribbean policymakers should be prepared for new external shocks and longer-lasting spillover effects from such shocks. History has shown that smaller economies are more susceptible to high global inflationary pressures because they are less diversified, more import-reliant and have limited financial buffers. Moreover, being highly indebted (as is the case of the Caribbean) further compounds the situation for the region.

Some experts believe that a full implementation of the CARICOM Single Market and Economy (CSME) could help better prepare the region for future external shocks. The reason for this thinking is that the region stands a better chance united rather than each economy fighting on its own. The aggregate GDP will be larger and as a united front, it will be more diversified with an adequate mix of tourism-dependent economies and commodity exporters. However, if this is a possible solution, swift action is required, as new global downside risks are emerging at a rapid rate.

The State ~~of~~ *at* Independence

If you want the present to be different from the past, study the past. **– Baruch Spinoza**

Trinidad and Tobago's Independence Diamond Jubilee resonated with people across the country and the diaspora. Through this brief look at developments before, during and since the 'Independence moment', this article seeks to positively impact the present, by informing, educating and reminding about the past.

Before Independence

August 31st, 1962 was not a singular event, it was the culmination of a largely evolutionary process over several years, characterised by the key developments below.

1945 – Following continued demands for increased participation in governance and the 1937 'Butler Riots', the British Parliament granted universal adult suffrage to Trinidad and Tobago.

1956 – A system of governance comprising an Executive Council with some members selected by the Governor from an elected Legislative Council, gave way to a system with some internal self-government where political parties competed in an electoral process, with a Chief Minister selected from the party with the winning majority and the Governor acting on the advice of the Executive Council.

1959 – Trinidad and Tobago became a self-governing colony with elected officials including a Premier, members of Cabinet and members of the Opposition, with the Governor's executive powers now limited.

1961 – In 1961, when Jamaica withdrew from the West Indies Federation formed in 1958, Trinidad and Tobago decided that it was time to receive full independence so that it could pursue its own governance.

December 1961 – Full internal self-government attained, following a general election in which the People's National Movement, led by Dr. Eric Williams, gained 20, and the Democratic Labour Party, led by Dr. Rudranath Capildeo 10, of the 30 seats in the House of Representatives. On December 29th, 1961 the House of Representatives and the Senate sat for the first time in the history of the Parliament of Trinidad and Tobago.

May 1962 – On May 28th, 1962, the Constitutional Conference on Independence for Trinidad and Tobago took place in London. There were 17 representatives from Trinidad and Tobago taking part in the negotiations. The government side was led by the country's Premier Dr. Eric Williams while the opposition representatives were led by Dr. Rudranath Capildeo.

During Independence

National Budgets typically contain current data and facts, information on developments and trends both locally and internationally, as well as new plans, policies and initiatives. One from 60 years ago, holds the additional promise of historical information and context as well as the ability, with the benefit of hindsight, to evaluate the merits and demerits of the actions taken… or not taken.

The Budget Speech for 1962, presented by Arthur N.R. Robinson, Minister of Finance, to the House of Representatives of Trinidad and Tobago on Friday, April 6th, 1962

Excerpts

EXPENDITURE AND CURRENT REVENUE

The two trends which I have already indicated, firstly, the tendency for recurrent expenditure to outstrip recurrent revenues and secondly, the tendency towards an increase in development expenditure, have reached their culmination in the final year of the Development Programme 1962. From an expenditure of $21.2 million in 1957, $31 million in 1958 – the year of the greatest surplus – and $53.1 million in 1961, expenditure on Development is expected to increase in 1962 to the sum of $82 million. At existing levels of taxation, not one penny of this sum could be raised from current revenues.

Obviously, Mr. Speaker, if we are to continue to approach this question of development in a serious manner, three essential ingredients of policy are inescapable:

- *Firstly, there must be a firm break in the tendency of recurrent expenditure to outstrip recurrent revenue;*
- *Secondly, a vigorous attempt must be made to tap additional local resources for development; and*
- *Thirdly, development expenditure must, from now on, to a much larger extent, be channeled directly into productive enterprises.*

The actual expenditure for 1961 on agriculture, forestry and fisheries estimated at $1,055,397. The provision for 1962 is over three times as much - $3,690,994 – reflecting the attention that the Government is determined to give to agriculture in the next five years to reduce our dependence on imports as well as to stabilise the cost-of-living , to provide more permanent jobs and increase the national income.

The provision for industry and tourism, excluding the sum of $3,557,723 for the completion of the Hilton Hotel, remains much the same as the estimated expenditure last year. There is, however, an increased provision of $946,560 for industrial sites at Sea Lots, East Dry River, O'Meara, Plaisance and Tobago, where a seven-acre site has already been developed at Milford and will be ready for occupation this year.

Under Drainage and Reclamation, the most important capital provisions are: $615,000 for flood control in the Diego Martin area and $165,851 for control of the Caroni River.

INCOME TAX

In his Fiscal Survey of the British Caribbean published in 1957 by Her Majesty's Stationery Office in London, Dr. A. R. Prest expressed astonishment that the number of personal income taxpayers in Trinidad and Tobago was actually smaller than the number of owners of private cars. The position today (1961) is that while there are 28,771 private cars licensed and 32,756 registered in the Territory only 15,400 persons are paying income tax.

Either the country is living dangerously beyond its means, or there are thousands of persons in the community who are not making the contribution that justice demands that they should make to the revenues of the Territory. It may be an element of both, but I am satisfied that it is more the latter than the former. This view is supported by further analysis of the statistics. In 1956, 10,881 people contributed $2,377,105 in income tax. In 1959, 11,301 contributed $6,857,878. With only 420 more taxpayers the figure rose by nearly 200 percent.

It is obvious that what accounted for the prodigious increase was not the 420 additional persons, but an increase in incomes and also improvement in the method of assessment and collections from the very same taxpayers through the introduction of the system of P.A.Y.E. In other words, while a substantial number of citizens are faithfully making their contributions which they are required to make by the laws of the country, it is certain that an equally substantial number of citizens are not making their contributions.

But bad as the situation is in respect of individuals, it is incredible in the case of traders, professions and partnerships.

While tax contributors for this group declined, Mr. Speaker, imports of goods c.i.f. rose from $249.5 million in 1954 to $504.6 million, over 120 percent. Registered business increased from 3,389 to 3,845 by 456. Private consumption expenditure rose from $247.9 million to $423 million or over 70 percent. The number of doctors increased from 110 to 243 by over 100 percent, barristers-at-law from 92 to 138, druggist from 25 to 235, midwives from 466 to 872, opticians and optometrists from 22 to 44.

Income tax from companies other than sugar and oil rose from $6,373,213 in 1954 to $13,509,304 in 1961 by over 100 percent. While everything else went up and up, income tax from traders, partnerships and professions went down and down.

ECONOMIC REVIEW

Between the years 1956 to 1960, the Gross Domestic Product at market prices (that is to say, the total value of the goods and services produced in the Community in any single year) which is the best indicator of the overall growth of the economy of the Territory, increased from $581.8 million to $896.3 million, an increase of about 54 percent, or an annual rate of increase of nearly 11 percent.

INDICATORS OF CONFIDENCE

All the indications, Sir, are of strength and growth. Private consumption expenditure increased from $307.2 million in 1956 to $423.0 million in 1960, representing an increase in real consumption per head from $414 in 1956 to $501 in 1960 or 21 percent.

The number of registered companies incorporated in the Territory was 663 in 1956 with a registered share capital of $195,860,000. In 1960, the number was 910 with a registered share capital of $590,409,000.

It is quite obvious, Mr. Speaker, that to take the best advantage of rapid economic development of the Territory, there should be a corresponding development of its financial institutions and this need is all the more compelling with the approach of independence. The Government has, for long, deferred to the federal idea, its own plans for the establishment of a Central Bank. With the dissolution of the Federation, there will be no further delay in the preparations for such a bank. It will be important, however, that such a bank should be guided in its operations by sound financial principles and towards this end, the Government has already decided to seek technical assistance both in respect of its establishment and its early years of operation.

THE PUBLIC DEBT

The nature and extent of the Public Debt as at 31st December 1961. It amounted, Mr. Speaker, to $99,868,207 and of this sum $60,566,430 was in respect of external loans and $39,301,777 in respect of local loans.

PROBLEMS AND PROSPECTS

The 1957 Housing Census estimated that out of a total of 161,000 housing units in the Territory in that year, 69,000 were grossly overcrowded having four or more persons to every bedroom and of these no fewer than 43,000 had no separate rooms for use as a bedroom. The Report considered that of the 161,000 housing units, 63,000 were of such poor quality that they required to be replaced during the following ten years.

Thus, in spite of the fact that with the aid of Public Funds, principally in the form of loans, no fewer than 5,900 housing units were built from 1957 to 1962, hardly a dent has been made in the housing problem. I am informed that there are no fewer than 36,700 applications on file at government agencies for assistance for the construction of houses.

Then and now

In 1962, the population of Trinidad and Tobago was estimated at 893,200 people consisting of 444,700 males and 448,500 females. Citizens 60 and over, at 51,800 made up 5.8 percent of the population. The total value of the country's output back then (gross domestic product, GDP) was TT$1,061.7 million, resulting in GDP per capita of US$679.20. In 2022 the population is estimated to have grown to 1,365,805 (685,263 males and 680,542 females) with 13.4 percent of the population (182,728) 60 and over. T&T's output has increased even faster at TT$190,770.8 million resulting in GDP per capita of US$19,500.

As pertains now, 60 years ago, the energy sector was a major contributor to the country's revenue. However, a lot was different back then. The energy sector then, basically consisted of oil production and refining. The manufacture and export of petrochemicals and LNG had not yet begun and the natural gas produced was used domestically. Oil production stood at 134,000 barrels per day, with a barrel of oil fetching US$1.40. The revenue from oil exports would have translated to a comparatively small TT dollar equivalent, as in those days the local currency traded at $1.71 to one US dollar (Table 1). Government revenue was $183 million while expenditure was $211.9 million, resulting in a fiscal deficit of $28.9 million, equivalent to 2.7 percent of GDP. The oil dynamic has flipped now, with average oil production for the first eight months of 2022 at just 58,902 barrels per day, but with each barrel fetching an estimated US$98. Government earned an estimated $51,641.1 million this year, and spent $54,074.1 million, resulting in a deficit of $2,433 million, equivalent to 1.3 percent of GDP.

Table 1: Trinidad & Tobago Indicators

1962	Indicator	2022
893,200	Population	1,365,805
51,800	60 and over pop.	182,728
5.80%	60 and over pop. / total	13.40%
1,061.70	GDP (TT$ Mn)	190,770.80
679.20	GDP per capita (US$)	19,500
134,000	Oil production (b/d)	58,902 *
1.4	Oil price (US$/b)	98
1.71	TT$:US$ exchange rate	6.775 *
183	Govt. revenue (TT$ Mn)	51,641.10
211.9	Govt. Expenditure (TT$ Mn)	54,074.80
($28.90)	Fiscal balance (TT$ Mn)	($2,433)
-2.70%	Fiscal balance / GDP	-1.30%
3.00%	Inflation	4.7% *
323,100+	Labour force	604,900
44,400+	Persons unemployed	30,800
13.70%+	Unemployment rate	5.1%*
117.10%	Total debt (TT$ Mn)	$129,745.30
11%	Debt / GDP	70.40%

Sources: Ministry of Finance, Central Bank of Trinidad & Tobago

***Not full-year data: (Oil prod.: Jan-Aug, Exch. rate: Jan-Sept, Inflation: Jan-Jul, Unemp. rate: Jan-Mar)**

+ 1963 data

The country's economy is projected to grow by 2 percent in 2022. In the first quarter of the year, 30,800 people out of a total labour force of 604,900 were unemployed, giving an unemployment rate of 5.1 percent. No record of the economic performance of the Independence year was found, as it seems that calculation, and or recording growth, based on the change in constant price GDP, was not done until 1967. Nonetheless, in 1963 (there was no labour force data prior to this) the unemployment rate was 13.7 percent, with 44,400 people out of a total labour force of 323,100, unemployed. T&T's total debt at the end of 1962 of $117.1 million, was equivalent to 11 percent of GDP. Today's total debt of $129,745.3 million, gives a debt to GDP ratio of 70.4 percent.

Through this brief journey through time, to look at the state of the State in 1962, one can't help but reflect on what has changed and what has persisted over the years. For many, this reflection seeks to answer the question first put to us by the Mighty Funny (Donric Williamson) in his offering for the 1987 Independence Calypso Monarch competition, one that remains relevant with the slightest of adjustment through the passage of time, "***60 years have gone, how yuh feel?***"