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The Pandemic Saga Continues

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The Pandemic Saga Continues

REGIONAL OVERVIEW

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I. Introduction

Governments in the Caribbean region have been relatively successful in flattening the infection curve of the coronavirus in their countries.[1] Geographical isolation is a contributing factor, but decisive and determined government action has been effective in reducing community transmission. Many potential deaths have been avoided.

Yet this accomplishment has yet to be compensated with an economic reward. As these countries begin to open their domestic economies, they are still battered by external shocks. This is particularly the case for the tourism-dependent economies that experienced a virtual shutdown of the sector during the second quarter of the year. The natural-resource-based economies are also suffering from the lingering effects of the decline in commodity prices and related external demand.

This second special edition of the IDB Caribbean Quarterly Bulletin provides an update of economic conditions in the region. It also focuses on important evolving issues, including the potential impact of the coronavirus crisis on countries' balance of payments, and on new data from the IDB on the real-time social effects of the crisis. Key impacts include the following:

- **Economic forecasts for 2020 have worsened substantially.** In line with simulations conducted in the last Quarterly Bulletin, the economies most heavily dependent on tourism—The Bahamas and Barbados—could experience double-digit declines in GDP this year, as recently forecast by the International Monetary Fund (IMF). Commodity exporters, with the exception of Guyana, are likely to experience a single-digit decline in GDP this year due to the domestic containment shock and lower prices for key commodities.

- **Balance of payments disequilibria remain a concern.** In particular, tourism receipts constitute a very large share of export earnings, leading to the potential for double-digit impacts on the balance of payments. A key unknown is how import demand is evolving in response to the tourism decline and economic shutdown.

- **The social impacts of the ongoing crisis are significant**. Simulations of the employment impact of tourism shocks provide a sobering perspective. In addition, evidence provided by an online

[1] The Caribbean region refers to the six member countries of the Inter-American Development Bank that correspond to its Caribbean Country Department: The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

survey carried out in April by the IDB's Research Department reveal reported household effects.[2] For households earning less than the minimum wage, a striking 34.3 percent of respondents declared that they had gone hungry in the previous week, and just over half stated that they had consumed less healthy food. About 60 percent of low-income households reported a job loss in the household. There are important gender dimensions as well: job losses and nutritional outcomes were worse for women, and some women reported an increase in domestic violence.

As is the tradition for this bulletin, the regional overview is followed by country-specific sections that provide more details on recent developments in each of the six Caribbean countries as well as sovereign members of the Organisation of Eastern Caribbean States (OECS).[3]

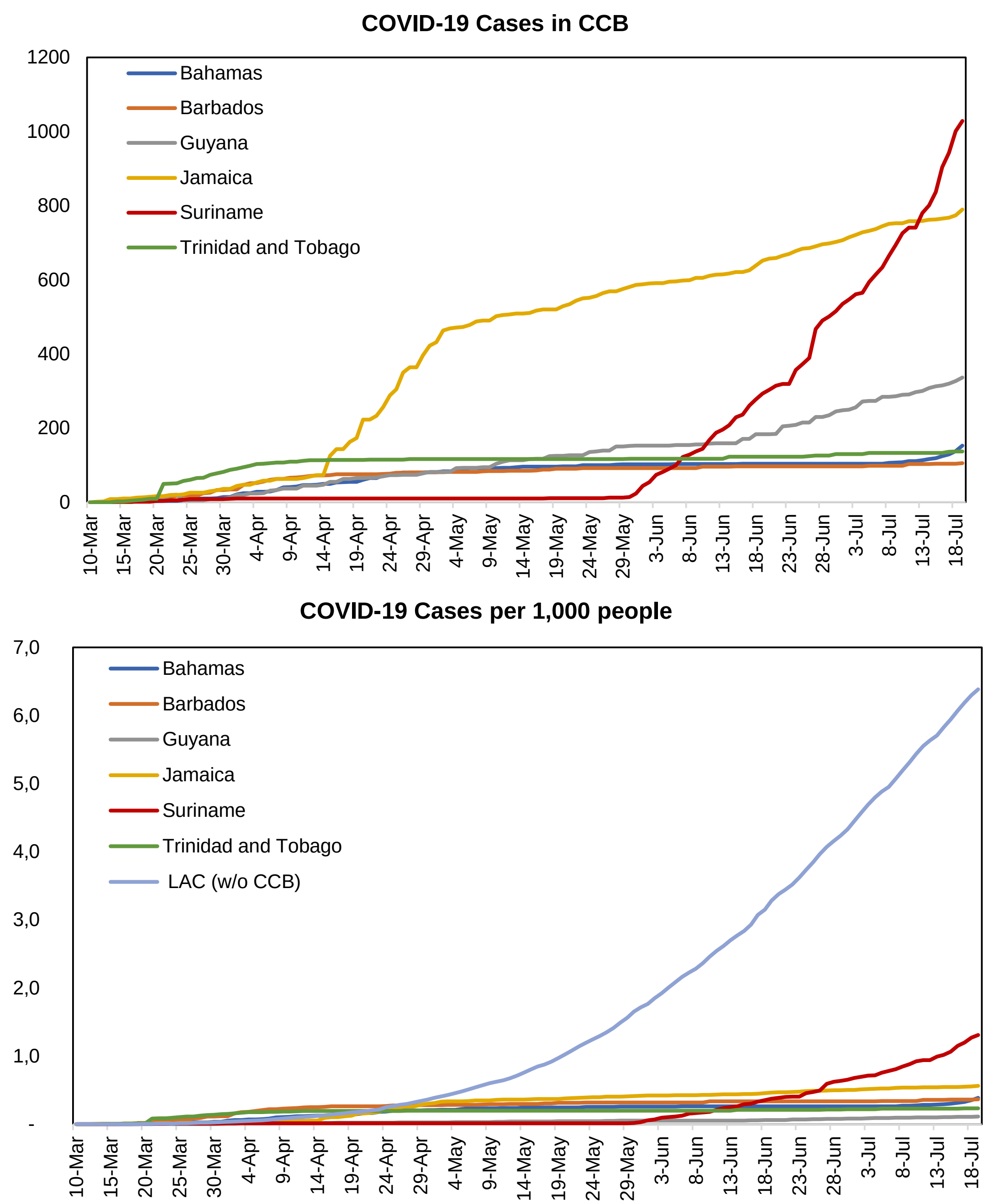
II. Progress in "Job 1": Stopping the spread of the virus

Figure 1 shows that cumulative coronavirus cases have leveled off, albeit at different levels, in five of the six Caribbean countries. The exception is Suriname, where the recent rise in cases followed the May 25th elections, when citizens congregated in the close quarters of polling stations. Prior to the elections, Suriname had gone weeks without any new cases. This case surge is clearly a cautionary tale for countries holding elections during the period when the pandemic persists in a population without universal testing and where cases may be asymptomatic. No country has reached the stage of universal testing. Also, in mid-July, there was a surge of cases in The Bahamas, after the country's airports were opened to tourism at the start of July. There were also more modest increases in Jamaica and Barbados, since opening the border.

All six countries have deployed international travel restrictions to avoid the arrival of imported cases. Community transmission has been limited through rising levels of testing, quarantines of infected individuals, strong social distancing protocols (including curfews), and effective communications campaigns. Geographic isolation has probably also been a factor. Shutting down airports and ports to all but essential travel, commerce, and the return of nationals from abroad helped to reduce the potential for imported cases to the islands. The continental Caribbean countries—Guyana and Suriname—have dense tropical forest buffers, although there have been reports of infected gold miners crossing the border from Brazil into Guyana and Suriname (through French Guyana).[4]

[2] The survey is available at https://www.iadb.org/en/research-and-data/idb-coronavirus-survey
[3] OECS countries covered by the IDB's Caribbean Department are Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Vincent and the Grenadines, and St. Kitts and Nevis.
[4] The states of the Amazon region in Brazil have the highest level of per capita coronavirus infections in that country.

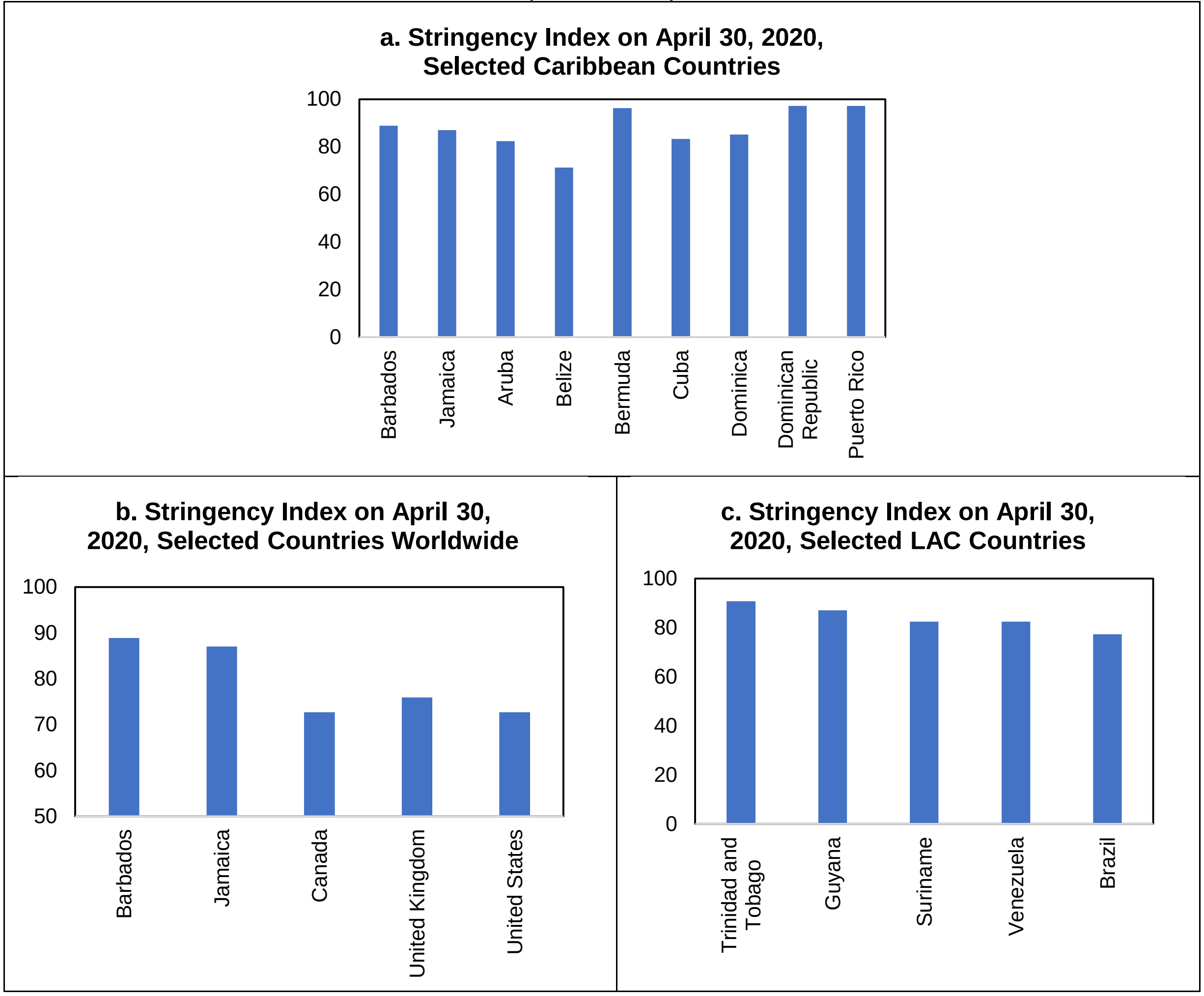
Figure 1. COVID-19 Cases in Absolute and Relative Terms



Source: Authors' calculations based on data from national authorities.
Note: CCB refers to the Caribbean countries covered by this bulletin. LAC: Latin America and the Caribbean

Academic research shows that Caribbean countries have been strong and persistent over time in the stringency of their containment measures (Hale et al. 2020). For example, panel a of Figure 2 shows that while Barbados and Jamaica are about in the middle among competitor tourism destinations in terms of stringency measures, most of the destinations to which they are being compared score quite strongly.[5] The data displayed are for April 30, 2020. Panel b shows the risk of opening to tourism from source destinations that have been less stringent in their containment measures. Finally, panel c shows how containment measures compare with neighboring countries in Latin America and the Caribbean.

Figure 2. Stringency of COVID-19 Containment Measures in the Caribbean and Comparators
(index 0-100)



Source: Hale et al. (2020).
Note: LAC: Latin America and the Caribbean.

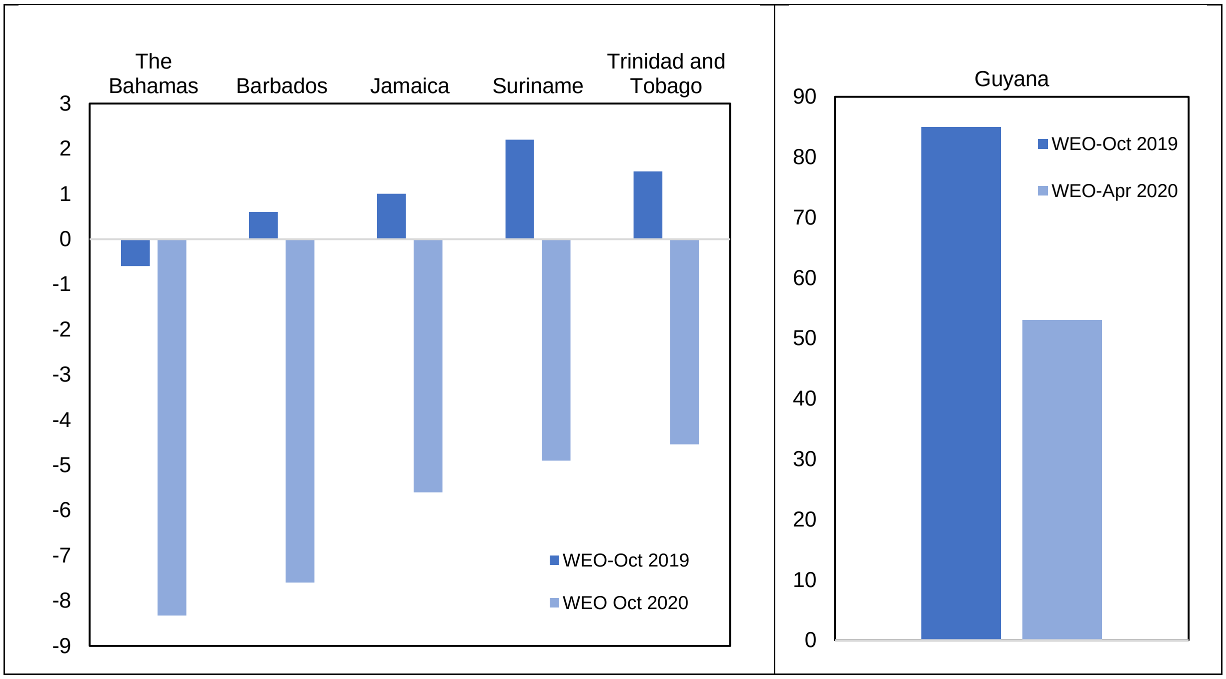
[5] The Bahamas is not included in the index, but that country has also undertaken strong measures.

III. Evolving Economic Prospects

This spring, the IMF revised economic growth forecasts downward for countries across the world, including the Caribbean. This is not surprising given the domestic and external shocks analyzed in the last Caribbean Quarterly Bulletin, which presented simulations showing that the tourism-dependent economies—The Bahamas, Barbados, and Jamaica—could experience double-digit contractions, depending on the assumed depth and duration of the tourism shocks (see also Mooney and Zegarra 2020a). The previous bulletin also outlined the effects of commodity price shocks on Guyana, Suriname, and Trinidad and Tobago, as well as the transmission channels that could lead to a synchronized contraction in the Caribbean.

As an illustration of how quickly and significantly growth assumptions have deteriorated over the past few months, Figure 3 lays out the growth forecasts for 2020 published by the IMF in October 2019, as compared to those published in April 2020 (IMF 2019, 2020a). These forecasts are likely to be further adjusted downward over time. In fact, in the June staff report for The Bahamas' request for financing under the Fund's Rapid Financing Instrument (RFI), the IMF further lowered the 2020 growth forecast for that country to -12.5 percent (IMF 2020b). For Barbados, the June IMF staff report for the review of the Extended Fund Facility revised its 2020 growth forecast down to -11.6 percent (IMF 2020c). In brief, the synchronized contraction for 2020 (with the exception of Guyana) appears deeper and more likely.

Figure 3. International Monetary Fund Growth Forecasts for 2020 (percent)



Source: International Monetary Fund, World Economic Outlook (WEO), October 2019 and April 2020 editions.

Caribbean Commodities Exporters

For oil producers in the region, oil prices have recovered somewhat and stabilized at around the US$40 per barrel (WTI), after reaching historic lows.[6] This compares to an average WTI price of US$57 per barrel in 2019.[7] Future prices set for the next six to 12 months have also stabilized at around US$40 per barrel. That said, there could be substantial volatility because the future evolution of the economies of major oil-consuming countries is highly uncertain, and oil demand is closely linked to economic conditions in those countries. In addition, even with the regained stability of oil prices at present, the drop compared to last year will certainly affect the value of production for Trinidad and Tobago, Suriname, and the new oil exporter, Guyana.

Natural gas prices have continued declining recently, with the Henry Hub price dropping below a new low of US$1.50 MMBtu in late June. Future prices indicate an expected recovery to well over US$2 MMBtu early next year. However, the continued decline of natural gas prices is of concern for Trinidad and Tobago, given that its natural gas production is tenfold larger than its oil production.

Political uncertainty is another issue to monitor in the coming months. The new president of Suriname was inaugurated in mid-July, but the election in Guyana is still under dispute. A recent Caribbean Court of Justice opinion essentially sent the decision-making process back to the Guyanese electoral commission, and at the time of drafting this bulletin, the outcome is not resolved. Elections are scheduled for August 10 in Trinidad and Tobago, and elections will likely occur before the end of the year in Jamaica. Political uncertainty and/or transitions add another challenge for shaping the policy response to the ongoing health and economic crisis.

As noted in the last Quarterly Bulletin, the combination of a domestic shock from required containment measures, along with external shocks, will drive macroeconomic outcomes this year. On the domestic front, partial lockdowns and curfews have succeeded in flattening the curve, as noted above, but they also severely constrained domestic services sectors during the second quarter of this year. Countries are relieving the containment measures leading to a potential upturn in the “face-to-face” services sector.

IV. The Importance of Tourism for Caribbean Economies

Health protocols are needed to limit the number of imported coronavirus cases, but such protocols prevent tourism access and can dampen demand for tourism and related services. As discussed in greater detail in the individual country sections that follow, countries across the region have now begun to wind down travel and tourism-related restrictions. For example, Jamaica reopened its air and seaports on June 15, but will continue to impose information and screening requirements on travelers, particularly those from high-risk areas. Barbados opened its airport on July 12, and The Bahamas opened its airport on July 1 (Table 1). But these efforts remain in the early stages, and even when points of entry are fully reopened to visitors, it is not clear that all tourism source countries will follow suit in terms of exit and reentry requirements. The risks are real: following a surge in cases in The Bahamas, the government decided to close the country to

[6] Short-term oversupply even led to negative WTI prices for delivery this spring. Brent prices have been less volatile in recent months and have stabilized at just over US$40 per barrel.
[7] According to the World Bank’s Commodity Markets Outlook, April 2020.

arrivals from the US where cases are surging. Similarly, demand for tourism will remain constrained for some time owing to concerns about sanitary conditions and because of the economic impact of the crisis on would-be travelers.

Table 1. Status of Travel and Tourism Restrictions

	Airports	Seaports
The Bahamas	Opened July 1. Restrictions based on origin. Closed again to US arrivals on July 22. Commercial flights only from Canada, UK and EU are allowed.	Opened July 1. Restrictions based on origin. New closure starting July 22, similar to airports.
Barbados	Opened July 12. Restrictions based on origin.	Closed for cruise line traffic. Opening date to be determined.
Jamaica	Opened June 15. Restrictions based on origin.	Opened June 15. Restrictions based on origin.
Guyana	Closed through July 31.	Closed.
Trinidad and Tobago	Closed to international traffic until further notice.	Closed to international traffic until further notice.
Suriname	Closed.	Closed.

Source: IDB Country Economics Team.
*For The Bahamas, airports and seaports opened on June 1 for domestic inter-island travel. One detail on the new July 22 restrictions: private aircraft and boats are still allowed.

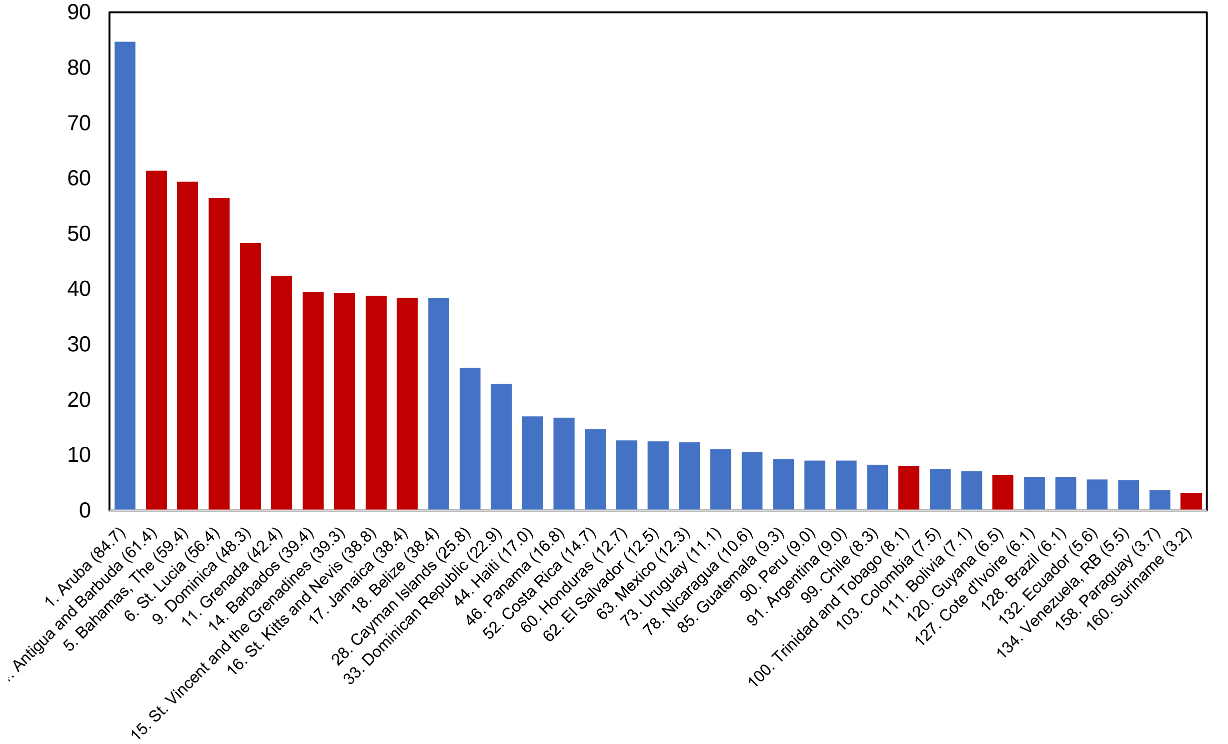
Tourism was adversely affected during the first quarter of 2020 as the crisis began to unfold, and the sector was effectively shut down during the second quarter as complete travel prohibitions came into place.[8] Expectations for the third quarter remain uncertain, but prospects for a rapid return to pre-crisis levels of demand remain grim. In this context, a recent publication from the IDB Caribbean Department's economics team—entitled "Extreme Outlier: The Pandemic's Unprecedented Shock to Tourism in Latin America and the Caribbean"—considers various dimensions of the shock, including dependence of the region's economies on the tourism sector, as well as the potential impact of the crisis on output, employment, and the balance of payments (Mooney and Zegarra 2020b).[9]

As highlighted in the country sections, nearly a dozen Caribbean countries—including the six Organization of Eastern Caribbean States (OECS) sovereign countries, as well as The Bahamas, Barbados, and Jamaica—rank in the top 20 on a new global index of economic dependence on the sector, dubbed the

[8] The UN World Tourism Organization estimates that global tourism flows fell by over 20 percent in the first quarter of 2020. See https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020.
[9] The paper also develops an original index of tourism dependency and evaluates the economic and employment impacts of multiple tourism shock scenarios.

Tourism Dependency Index (TDI). The TDI is calculated for 166 countries worldwide for which data were available. It uses five-year averages (2014–2018) for the total contribution of tourism to export receipts, output, and employment for each country. The range is from zero to 100, with 100 representing total dependence on the sector. Index results for 35 countries in Latin America and the Caribbean for which data were available are shown in Figure 4, with the countries analyzed in this Quarterly Bulletin highlighted in red.

Figure 4. Tourism Dependency Index: Latin America and the Caribbean, 2018
(ranking versus all 166 other countries for which the index was calculated)



Source: Mooney and Zegarra (2020b).
Note: The Tourism Dependency Index (TDI) is calculated using five-year averages (2014–2018) for the total contribution of tourism to export receipts, GDP, and employment for each country. The range is from zero to 100, with 100 representing total dependence on the sector. The TDI results for the 35 countries in Latin America and the Caribbean for which data were available are shown here. The digit preceding the country name represents its rank out of 166 countries around the world for which data were available. Caribbean countries covered in this Quarterly Bulletin are highlighted in red.

More specifically, the Caribbean countries covered in this Quarterly Bulletin are among the world's most dependent on tourism with respect to the three critical variables included in the TDI index. For example, over three-quarters of export receipts are linked to tourism in Antigua and Barbuda, The Bahamas, Dominica, and Grenada (Table 2). Similarly, the total contribution of tourism is 40 percent or more in terms of both GDP and employment for Antigua and Barbuda, The Bahamas, St. Lucia, and Barbados. Taken together, this suggests that the Caribbean could be the most adversely affected region in the world in terms of the economic impact of COVID-19.

Table 2. Indicators of Tourism Dependence for Caribbean Countries

	Tourism Dependency Index (TDI) (2018)	Tourism Dependency Index Rank Out of 166 Countries (2018)	Tourism Export Receipts (Percent of total exports) (Average for 2014–2018)	Contribution to GDP (Percent of total GDP) (Average for 2014–2018)	Contribution to Employment (Percent of total employment) (Average for 2014–2018)	Passenger Tourism Arrivals (Per year) (Average for 2014–2018)
Antigua and Barbuda	61.4	4	81.0	54.5	48.8	256,000
The Bahamas	59.4	5	75.2	47.5	55.6	1,504,600
St. Lucia	56.4	6	80.9	40.1	48.4	362,400
Dominica	48.3	9	75.8	36.3	32.9	73,900
Grenada	42.4	11	83.0	22.9	21.4	162,800
Barbados	39.4	14	40.5	39.0	38.9	617,800
St. Vin. & The Grenadines	39.3	15	73.6	23.2	21.4	76,200
St. Kitts and Nevis	38.8	16	63.0	27.1	26.6	117,400
Jamaica	38.4	17	55.1	31.6	28.7	2,242,200
Trinidad and Tobago	8.1	100	6.2	7.8	10.3	406,200
Guyana	6.5	120	4.9	7.1	7.5	236,400
Suriname	3.2	160	4.1	3.0	2.8	253,500

Source: Mooney and Zegarra (2020b).
Note: The Tourism Dependency Index (TDI) is calculated using five-year averages (2014–2018) for the total contribution of tourism to total export receipts, GDP, and employment for each country. The range is from zero to 100, with 100 representing total dependence. The color scale represents the relative contribution of the variable when compared to other countries (red = highest / blue = lowest).

COVID-19 and the Shock to Tourism Flows: An Extreme Outlier

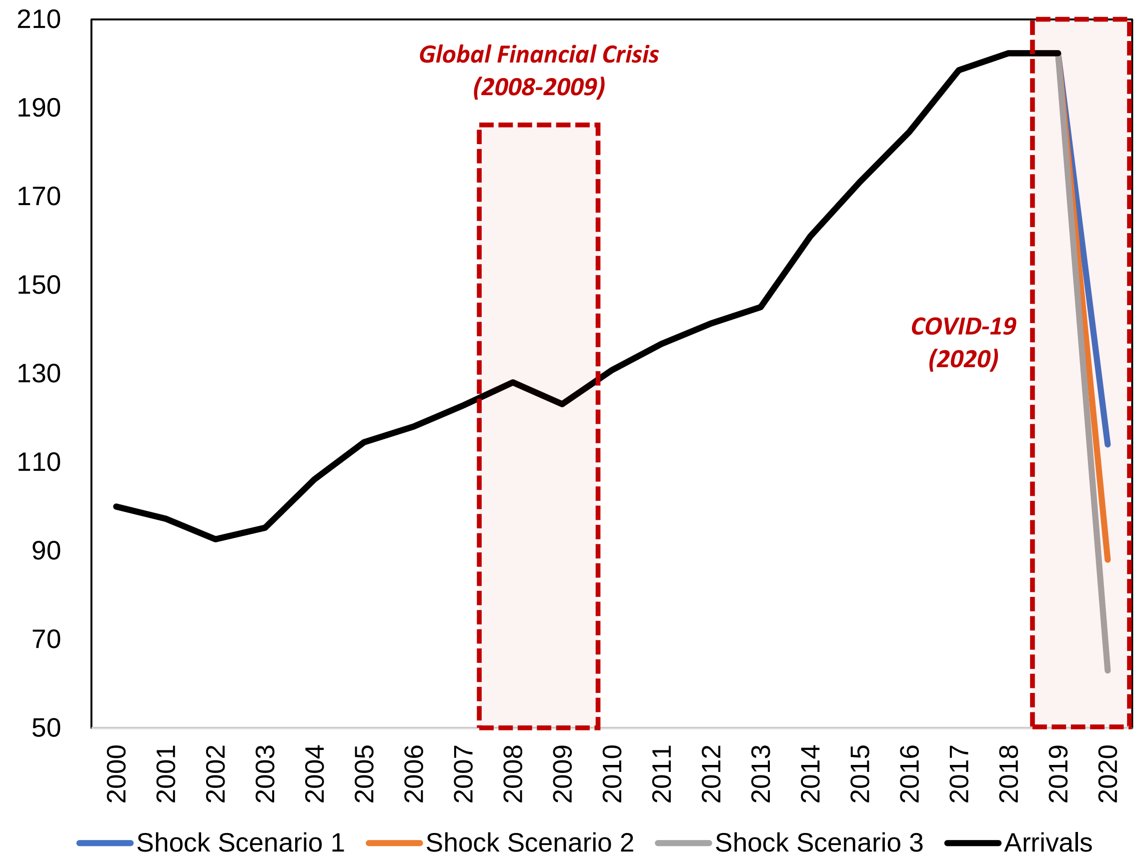
Given the importance of the tourism sector for the Caribbean countries, envisioning the impact of the crisis for tourism-dependent economies requires developing plausible scenarios for the removal of travel restrictions across source and destination countries, as well as the degree to which demand might rebound. In this context, a reasonable starting point is a review of historical tourism flows and the implications of past shocks for tourism arrivals to the region.

A review of tourism arrivals to LAC between 2000 and 2018 reveals that the largest single-year reduction was about 5 percent relative to the previous year in 2002. A similarly large reduction in tourism arrivals to the region was recorded following the global financial crisis of 2008–2009. In contrast, the near-complete

shutdown of both passenger air travel and cruise ship activity beginning in March 2020 would imply a much larger shock to tourism arrivals and related receipts for 2020, and perhaps beyond.

Using available data on the evolution of flows to date and announced policies (including those discussed above), this section develops shock scenarios for tourism reflecting the complete dissipation of activity during the second quarter of 2020, and plausible paths for the sector's recovery later in the year (Figure 5). These scenarios—which are very much in line with views expressed by experts representing the sector[10]—suggest that the shock to flows could be in the range of between 40 and 70 percent, making the implications of the COVID-19 crisis for Caribbean tourism an extreme outlier when compared to available historical data.[11]

Figure 5. Shocks to Tourism Arrivals in Latin American and Caribbean Countries
(tourism arrivals per year; indexed in 2000 =100)



Source: Mooney and Zegarra (2020b).
Note: Scenario 1 = 43.8 percent loss of tourism arrivals in 2020 relative to 2019; Scenario 2 = 56.3 percent loss; Scenario 3 = 68.8 percent loss.

[10] For example, the UN World Tourism Organization estimated a 97 percent drop in international tourist arrivals relative to previous years for April 2020 (https://www.unwto.org/es/news/los-nuevos-datos-muestran-el-impacto-de-covid-19-en-el-turismo).
[11] In statistics, extreme outliers are usually described as outcomes that lie more than three standard deviations from the mean for a normally distributed population.

Shock Simulations: Employment

While results of similar shock simulations applied to economic output were included in the previous Quarterly Bulletin and an accompanying blog post (Mooney and Zegarra 2020a),Table 3 highlights the results of new simulations using the shock scenarios defined in Figure 5 to illustrate the potential implications of COVID-19 for employment across the region. For Caribbean countries that are most dependent on tourism, such as The Bahamas and St. Lucia, anywhere from 12 percent (Scenario 1) to as much as 20 percent of the labor force (Scenario 3) could be adversely affected by the pandemic. It is worth noting that these shocks have been applied to the direct contribution of the tourism industry to employment, which does not take into account other sectors (e.g., retail, services, construction) that are likely to be adversely affected by the loss of jobs and purchasing power for those working directly in tourism. Taken together, these and related exercises underscore the human dimensions of this crisis—many individuals and households in the region will suffer, implying severe social costs that are difficult to capture with economic aggregates. New data developed by the IDB on related issues are discussed later in this section.

Table 3. Tourism Shock Scenarios: Impact of the COVID-19 Outbreak on Employment
(scenarios 1-3: percentage point loss of employment as a share of total employment)

	Tourism Dependency	Direct Employment in Tourism Sector		Scenario 1	Scenario 2	Scenario 3
	2018	(Number of persons, 2018)	(Percent share of employment, 2018)			
Antigua and Barbuda	61.4	5,014	13.6	5.9	7. 7	9.4
The Bahamas	59.4	54,147	26.5	11.6	14.9	18.2
St. Lucia	56.4	21,021	27.3	11.9	15.4	18.8
Dominica	48.3	4,224	11.3	4.9	6.3	7.8
Grenada	42.4	3,154	6.4	2.8	3.6	4.4
Barbados	39.4	17,938	13.7	6.0	7.7	9.4
St. Kitts and Nevis	38.8	1,644	6.5	2.9	3.7	4.5
Jamaica	38.4	113,738	9.4	4.1	5.3	6.5
Trinidad and Tobago	8.1	23,802	3.7	1.6	2.1	2.5
Guyana	6.5	8,637	2.9	1.3	1.6	2.0
Suriname	3.2	2,463	1.2	0.5	0.7	0.8

Source: Mooney and Zegarra (2020b).
Notes: The Tourism Dependency Index (TDI) is calculated using five-year averages (2014–2018) for the total contribution of tourism to export receipts, GDP, and employment for each country. The range is from zero to 100, with 100 representing total dependence. The color scale represents the relative contribution of the variable when compared to other countries (red = highest / blue = lowest).

Shock Simulations: The Balance of Payments

Using the same three shock scenarios from Figure 5 applied to employment, Table 4 illustrates the potential implications of COVID-19 for export receipts and the current account. This is only a partial simulation, as the import content of tourism could be significant, meaning that simulations are likely to overestimate the shock to net exports. That said, the magnitudes of these simulated shocks are quite significant, with highly tourism-dependent countries potentially facing substantial losses of export receipts that, even under the least severe scenarios, are often much larger in magnitude than historical current account balances.

Table 4. Tourism Shock Scenarios: Impact of the COVID-19 Outbreak on Export Earnings
(scenarios 1-3: loss of export receipts in percentage points of GDP)

	Tourism Dependency Index	Share of Export Receipts	Current Account Deficit	Scenario 1	Scenario 2	Scenario 3
	(2018)	(2018)	(2018)			
		(Percent share of exports)	(Percentage points of GDP)	(Percentage points of GDP)	(Percentage points of GDP)	(Percentage points of GDP)
Antigua and Barbuda	61.4	61.4	-7.0	19.5	25.0	30.6
The Bahamas	59.4	70.8	-12.1	11.0	14.2	17.3
St. Lucia	56.4	68.0	5.4	19.4	24.9	30.5
Dominica	48.3	55.3	-40.9	7.6	9.7	11.9
Grenada	42.4	60.3	-9.8	14.7	18.9	23.1
Barbados	39.4	67.3	-9.4	16.1	20.7	25.3
St. Kitts and Nevis	38.8	33.4	-7.2	9.2	11.8	14.4
Jamaica	38.4	60.9	-1.8	10.5	13.4	16.4
Guyana	6.5	8.1	-27.6	1.5	1.9	2.4
Suriname	3.2	2.2	-3.3	0.6	0.8	1.0

Source: Mooney and Zegarra (2020b).
Note: The Tourism Dependency Index (TDI) is calculated using five-year averages (2014–2018) for the total contribution of tourism to export receipts, GDP, and employment for each country. The range is from zero to 100, with 100 representing total dependence. The color scale represents the relative contribution of the variable when compared to other countries (red = highest/blue = lowest). Shocks applied to 2018 export receipts and volumes. Data for the current account deficit for all countries are for 2018, except Barbados (2016).

As no country can sustain a significant increase of the current account deficit without obtaining additional financing from abroad, shocks of this magnitude are likely to imply the need for adjustment in terms of the volume of imports. For this reason, and given the automatic adjustment in imports that a loss of tourism

would imply (e.g., goods consumed locally by tourists),[12] this analysis does not mean to suggest that current account deficits would widen by, for example, more than 25 percentage points of GDP, as in the case of Antigua and Barbuda, Barbados, or St. Lucia (depending on the shock applied). But what is clear from this exercise is that the crisis will force many tourism-dependent countries to undergo significant adjustments in terms of their commercial and financial transactions and relationships with international partners. Similarly, there could be unprecedented pressures on exchange rates and financing flows, requiring difficult decisions by both public and private sectors.

So far, Jamaica's floating exchange rate has not experienced a large depreciation, and the other countries have either *de facto* or *de jure* fixed exchange rates. One summary indicator of balance of payments pressures has also fared quite well: the level of international reserves. The Bank of Jamaica reports that gross reserves have increased since the end of February and, netting out the use of IMF resources (the May disbursement under the Rapid Financing Instrument), reserves have shrunk by only about 5 percent since March. In The Bahamas, the Central Bank reports that reserves rose slightly from the end of February to the end of June, according to the Central Bank. The IMF (2020a) reports that net international reserves in Barbados increased between the end of 2019 and April 2020, buoyed by disbursements from international financial institutions. In Guyana, net international reserves have fallen slightly (3 percent) since February but were on a rising trend through May, according to the Central Bank. For Trinidad and Tobago, the Central Bank reports that net international reserves fell in March, but they were back up to February levels in May. In Suriname, black market premia for the exchange rate have soared as severe foreign exchange shortages persist.

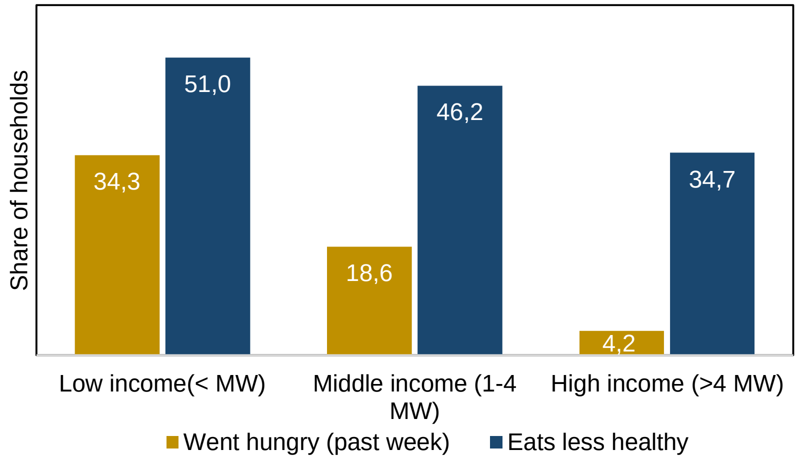
V. Social Impact of the Crisis

Lockdown measures have made it difficult to conduct traditional face-to-face household surveys to monitor the social situation across Latin America and the Caribbean. The IDB's Research Department launched an online platform to collect information on social conditions in the middle of the crisis, but this approach is not the same as collecting data from a representative sample. That said, for the Caribbean countries, the IDB's Caribbean economics team joined forces with the Research Department to reweight the data collected online using information from representative household-level surveys across Caribbean countries.[13] The empirical results, therefore, are already calibrated to meet representative socioeconomic parameters of Caribbean populations. The findings were presented in a blog post in May by Beuermann et al. (2020) and are reproduced here.

The survey was conducted from April 16–30, and about 12,500 households responded.[14] One striking feature is the nutritional impact of the crisis. For households earning less than the minimum wage, a striking 34.3 percent of respondents declared that they had gone hungry in the previous week, and just over half stated that they consumed less healthy food (Figure 6). These issues even persist, at substantially lower levels, in the higher-income categories.

[12] The World Travel and Tourism Council (2004) estimated that imports represent one-third of the total (direct and indirect) contribution to GDP and are actually larger than the direct contribution. See page 32 of: http://www.caribbeanhotelandtourism.com/downloads/Pubs_WTTCReport.pdf
[13] The aggregates presented here are for the six Caribbean countries covered in this Quarterly Bulletin.
[14] The survey is available at https://www.iadb.org/en/research-and-data/idb-coronavirus-survey

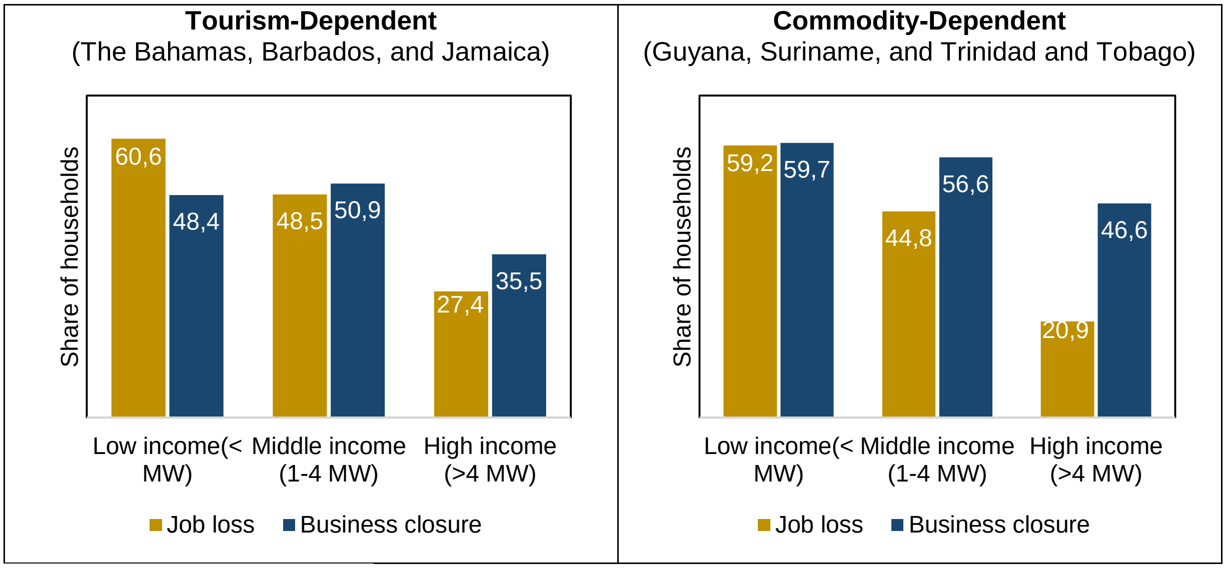
Figure 6. Nutritional Impacts of the Crisis in the Caribbean: Hunger and Change in Diet
(percent)



Source: IDB, online COVID-19 survey (https://www.iadb.org/en/research-and-data/idb-coronavirus-survey)
Note: Income categories based on pre-pandemic (Jan. 2020) total household income relative to the national minimum wage (MW).

Labor market outcomes have also been dramatic, with job losses and business closures for business owners reported at a high level in both tourism- and commodity-dependent economies (Figure 7). The numbers are worse for the poor, the households that generally have the smallest savings buffers.

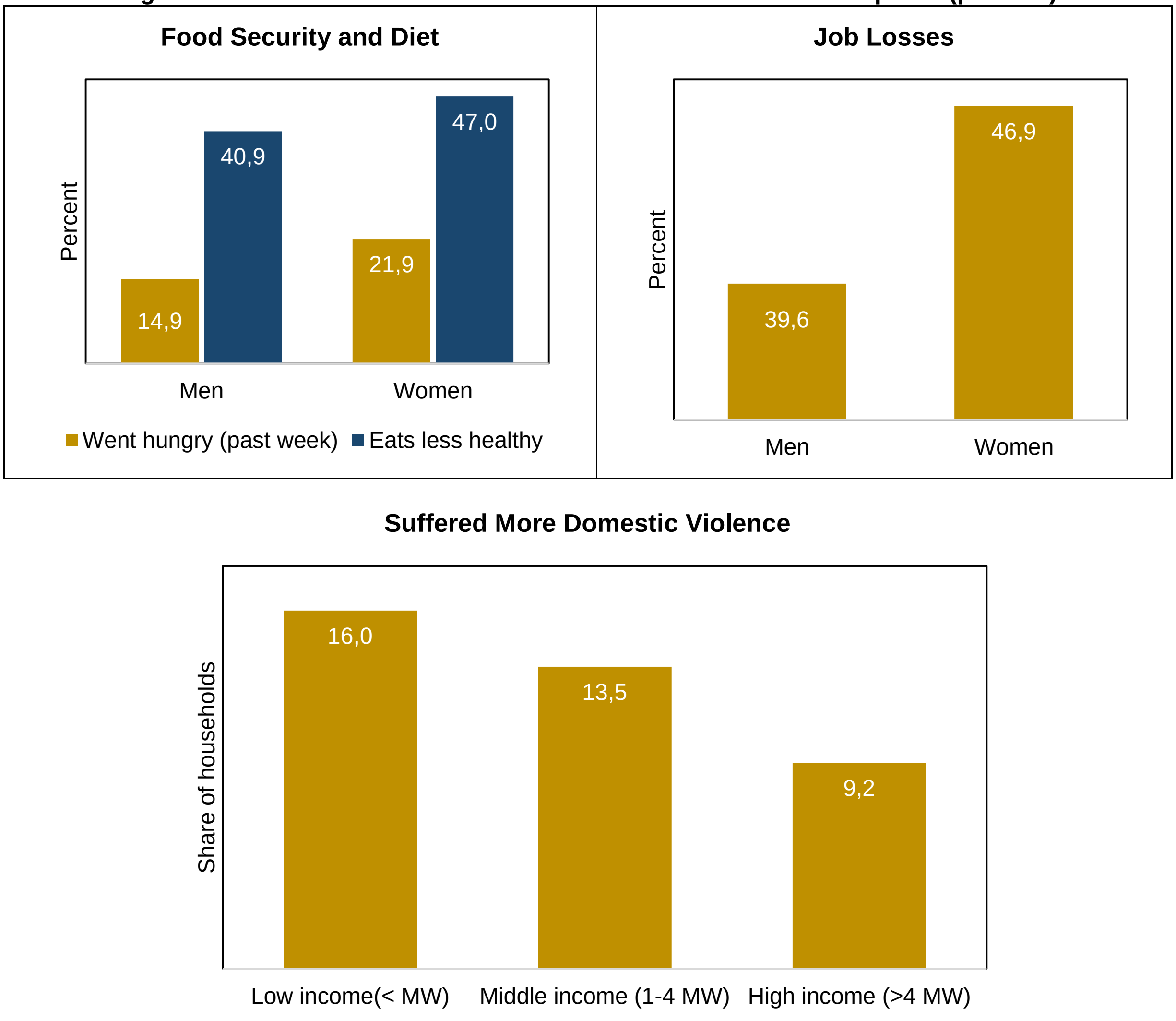
Figure 7. Job losses and Business Closures (percent)



Source: IDB, online COVID-19 survey (https://www.iadb.org/en/research-and-data/idb-coronavirus-survey)
Note: Income categories based on pre-pandemic (Jan. 2020) total household income relative to the national minimum wage (MW).

There are also important gender dimensions revealed by the survey. According to the responses, outcomes have been worse for female-headed households than for male-headed households. As shown in Figure 8, job losses and nutritional outcomes are two examples, and the gaps are large. In addition, some women have reported an increase in domestic violence.

Figure 8. Gender Dimensions of Nutrition and Labor Market Impacts (percent)



Source: IDB, online COVID-19 survey (https://www.iadb.org/en/research-and-data/idb-coronavirus-survey)
Note: Income categories based on pre-pandemic (Jan. 2020) total household income relative to the national minimum wage (MW).

VI. Imagining the Future[15]

The previous sections provide an overview of ongoing developments in the Caribbean. With coronavirus curves flattened and airports opening, the region can begin to think of a transition to a post-crisis scenario. The pace and success of the transition obviously will depend on external developments, given that these are very small, open economies. First, these countries depend on imports for testing, protective equipment, and, eventually, a vaccine—if and when one is developed. Second, the ability to sustain social distancing measures and finance social support programs for families and firms will depend on the potential for recovery of key sectors: tourism in three countries, and commodities in the other three. The performance of both sectors will depend on the evolution of the global economy, as well as structural security protocols for tourism that could facilitate a recovery in international travel. Third, other countries' efforts to control the virus will also affect prospects for international tourism, and the ability of those countries to remove social distancing programs could then support a rise in oil and gas prices. In brief, the transition towards recovery for the Caribbean itself will depend on external events.

Pressures on the macro framework could complicate the transition. Jamaica has a floating exchange rate regime, supported by an explicit inflation-targeting monetary policy framework. If devaluation is limited, this could support a balance of payments adjustment, without fueling excessive inflation, and could also improve competitiveness for the future recovery. The other countries in the Caribbean have either *de jure* or *de facto* fixed exchange rates. The fiscal policy framework varies across the six countries covered here. Some countries have relatively stronger medium-term fiscal frameworks, which could help ease market concerns when deficits inevitably expand due to the fiscal cost of measures to combat the social and economic cost of the crisis. External finance from multilaterals can close financing gaps and relieve short-term liquidity concerns.

Social pressures and electoral processes could complicate the transition. Five of the six countries analyzed here are experiencing a sharp economic contraction and sharp increases in unemployment.[16] Depending on the testing and health sector capacity mentioned above, the transition measures will have to be gradual, and there could be setbacks. There is a high degree of uncertainty on both the scientific and economic fronts. Social tensions may mount. Problems such as increased domestic violence and child abuse are a concern, as are already high and rising suicide rates, by international standards. Female employment conditions in service sectors—so-called "care" sectors—could suffer disproportionately. Food insecurity is another threat, driven either by supply chain disruptions or a lack of foreign currency. Finally, as noted above, four of the six countries—Guyana, Jamaica, Suriname, and Trinidad and Tobago—either already had elections or will have one within the next 12 months. There will be electoral transitions in the middle of the COVID-19 transition, and this could generate uncertainty about the policy path from transition to recovery. It also creates an opportunity for reinvigorated consensus for new policy reforms.

For the small, open economies of the Caribbean, the path for recovery also depends on external developments. The recovery of the tourism sector will depend on international cooperation on travel rules and sanitary protocols, as well as on economic conditions in source countries—particularly the United States, Canada, and Europe. Clearly, commodity prices will evolve according to international market developments. Even the gold price could drop somewhat if international financial markets return to long-term stability and gold's safe-haven allure fades. Oil and natural gas prices could strengthen if workers

[15] The section draws on a policy brief by the IDB Caribbean Country Department (2020).
[16] Guyana's oil production boom will still result in positive growth, despite the decline in oil prices.

return to their normal commute patterns, but perhaps that will not happen. The possible reconfiguration of global supply chains could open, or close, opportunities for foreign direct investment in business process outsourcing and other global services. In brief, there are multiple external factors that pose opportunities and risks for a recovery of Caribbean economies.

The recovery will also depend on the success of the crisis response and domestic transition policies**.** The recovery will be built on the efforts of households, businesses, and governments. Emerging from the transition stage, if many households and/or firms are bankrupt and if people are still getting sick, then the recovery is likely to be prolonged and slow. The risk of imported cases looms large as international travelers begin to arrive.

One domestic factor that will need to be addressed is to recover fiscal sustainability following a buildup in public debt. Deficit spending in response to the crisis will result in an increase in debt. Three key areas will be essential for management of that debt:

(1) *Improve expenditure efficiency and effectiveness*. Detailed public expenditure reviews and sector analysis will be key for getting the most out of ever more limited fiscal space. Recommendations from the IDB are outlined in an IDB blog that looks at fiscal policy during the coronavirus crisis (Izqueirdo and Ardanaz 2020).[17]
(2) *Improve debt management.* More debt implies a greater need to minimize debt costs and smooth the payment profile. Institutional reforms to improve debt planning, analysis, investor communication, and other areas can help in that regard.
(3) *Attend to other longstanding institutional challenges in fiscal policy.* Some countries are more advanced than others, but depending on the country, areas for improvement include medium-term expenditure frameworks, fiscal rules, heritage funds (for natural resource exporters), stabilization funds, and the incorporation of disaster risk concerns into the fiscal framework.

The recovery may benefit from lessons learned from the crisis, particularly in terms of new dimensions of resilience. Business continuity is an obvious lesson for both the public and private sectors. This puts a premium on some traditional areas as well as new areas for policy reform and investment. The following actions could also broaden the opportunities for new sectors of investment:

- *Strengthen health emergency capacity.* There may be another surge of the virus or more novel viruses in the future.
- *Strengthen social safety nets.* Some countries have stronger systems than others, but the distributional bias in terms of the impact of crisis implies the need for improvement.
- *Develop Internet connectivity for all.* This may require some public investment and regulatory redesign and rethinking. Infrastructure for both cable and wireless communication can be improved. Social tariffs of some form may be necessary to improve access for poorer households and smaller firms.
- *Increase digital government and reduce tape*. This is a long-standing issue, and some governments have progressed more than others. Social distancing has been a wake-up call. While technology can facilitate governance, the processes and procedures themselves have to simplified, and that

[17] The blog draws on more detailed analysis from the IDB flagship report entitled Better Spending for Better Lives (Izquierdo, Pessino, and Vuletin 2020).

requires legal and institutional reforms. Small Caribbean countries could copy Estonia—which has been a leader in this area among small countries--and reach the frontier.

- *Improve data.* This is related to the digital government theme, but a separate set of actions and reforms are needed to finally make better use of existing administrative data, link to survey data, connect to digital records, institute digital IDs, etc.
- *Strengthen private sector resilience.* From a management perspective, the government can work with business leaders to think through how they can temporarily convert human and physical capital into new activities when an existential crisis arrives. More data and analysis of management practices and skills in Caribbean countries would also be useful.
- *"Go regional" on food and some other supply chains.* Given the small size of Caribbean economies, going regional on basic essential items such as foodstuffs and medical supplies and equipment could open new economic opportunities and enhance economic resilience. There is scope for some of the countries to become important regional sources of food. Regional procurement, storage, and even technological development of medical supplies and equipment would also enhance resilience.

Addressing longstanding challenges could also help enhance the recovery**.** Many traditional challenges remain relevant, and these have been analyzed in the IDB's Country Development Challenges documents. The details are country-specific, but several broad themes are:

- *Getting the most out of traditional lead sectors.* The idea here would be to build domestic supply chains to get value-added linkages from tourism in some countries and from natural resources in others. An obvious area would be agriculture for foodstuffs for the hospitality and restaurant sectors. Eco-tourism drawing on natural resources of tropical forests has large potential in Guyana and Suriname. Those two countries could also expand sustainable forestry and agricultural exports. Another potential growth area is in "business continuity" tourism. If there is an increasing trend to working remotely, then pleasant tourist destinations could host those workers. Barbados is preparing a 12-month "Barbados Welcome Stamp" precisely to facilitate this type of service.
- *Quality education for everyone.* The education sector continues to lag and to constrain global service possibilities in Caribbean countries. It also limits the capacity for innovation. Differences in quality between schools and between social classes also constrain the ability to develop technology clusters.
- *Climate change/Green recovery.* Hurricanes are expected to only get worse in the years ahead, and sea-level rise is a major threat for all of the Caribbean countries. Eventually, economies will have no choice but to diversify away from hydrocarbons.

Governments across the globe have been improvising, experimenting, and struggling to implement their responses to the novel coronavirus crisis. The Caribbean countries discussed here are no exception. Although these countries have been leaders in "flattening the curve," they will be strongly impacted as the world moves forward to the transition and recovery phases. There will be continued uncertainty about the characteristics of the virus itself, including the strength and duration of the immunity enjoyed by recovered patients. Strengthening the capacity for testing, contract tracing, and treatment is still needed, even as curves may have been at least temporarily flattened in most of these countries.

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RECENT PUBLICATIONS FROM CARIBBEAN COUNTRY DEPARTMENT ECONOMICS TEAM (2020)

January 2020	**Abstract or Blog Link**
Maria Alejandra Zegarra and Juan Pedro Schmid Impact of Hurricane Dorian in The Bahamas: A View from the Sky Technical Note	Hurricane Dorian has been among the most devastating natural disasters ever to hit The Bahamas. The estimated damage and losses from it amount to US$3.4 billion (IDB, 2019), a number equivalent to a quarter of the country's GDP. Dorians effects also resulted in the revision of The Bahamas economic growth forecast. The IMF reduced GDP growth estimates for 2019 to 0.9 percent, and the economy is expected to contract in 2020. Under these circumstances, this paper proposes a methodology to track the economic recovery of The Bahamas on a monthly basis. The results suggest that the GDP growth rate in most of the 19 islands that comprise The Bahamas suffered a sharp decrease because of Hurricane Dorian. The islands that suffered the most from this event have recorded significant decreases in their economic activity. Abaco shows a reduction in monthly economic activity of 54 percent comparing September 2019 to September 2018, and Grand Bahama registered a 34 percent decrease. These estimates were obtained by comparing the spatial variation of satellite night lights as an indicator of the country's economic activity before and after Hurricane Dorian. Satellite night lights observed from the space are publicly available and have been used before to measure economic activity. This study also presents a new annual series of regionalized GDP estimates by island from 1992 to 2018, and on a monthly basis, from January 2012 to September 2019.
Jeetendra Khadan, Eric Strobl and Theophiline Tuffour Poverty and Intra-Household Resource Allocation in Surinamese Households Working Paper	This paper examines the allocation of resources of poverty rates within households in Suriname. To this end we employ a bargaining model estimation framework that allows one to identify the allocation of resources across adult and children males and females. Our results using the Suriname 2016/2017 Survey of Living Conditions show that there are considerable differences between men and women, but that there is no gender bias among children. We also find that children are least poor members of households.
Jeetendra Khadan Tax Buoyancy in the Caribbean: Evidence from Heterogenous Panel Cointegration Models Working Paper	This paper provides long- and short -run tax buoyancy estimates for a group of 12 Caribbean countries over the period 1991-2017. By using panel regressions, this paper finds that the long- and short-run tax buoyancy estimates are statistically significant and exceeds one. However, the results vary by tax categories: with respect to indirect taxes—which accounts for almost 65 percent of total tax revenues—the buoyancy of the long-run coefficient is significantly less than one (0.35), while for direct taxes it is significantly higher than one (1.33). For taxes on goods on services, the single most important tax for most countries, the long-run buoyancy coefficient is lower than one. It was also found that long-run tax buoyancy was lower in the post-global financial crisis period. With respect to short-run buoyancies, corporate taxes and trade taxes are found to be the most buoyant for Caribbean countries.
Laura Giles Álvarez and Henry Mooney Financial Access and Inclusion: A Diagnostic for Barbados Policy Brief	This paper presents an assessment of financial market development, access, and inclusion for Barbados. Based on a review of indicators, survey data, and other metrics, our analysis suggests that recent fiscal and macroeconomic stability concerns, as well as increasingly stringent administrative requirements, have negatively affected financial access and inclusion particularly for smaller firms. For some firms, high collateral requirements, administrative and documentation-related hurdles, and

	shortcomings in the institutional and regulatory framework are key impediments to greater financial access. Policy recommendations that flow from this analysis include the importance of durably addressing macroeconomic imbalances, reinforcing the regulatory and institutional frameworks, supporting the availability of information regarding credit and related counterparty risks, and developing a coordinated approach to institutional and policy reform aimed at promoting financial inclusion (e.g., via development of a national financial inclusion strategy).
Kimberly Waithe Four Key Reforms to Bring Back Economic Growth to Barbados Blog	https://blogs.iadb.org/caribbean-dev-trends/en/four-key-reforms-to-bring-back-economic-growth-to-barbados/
February 2020	**Abstract or Blog Link**
Laura Giles Álvarez and Henry Mooney Barriers to Financial Access in Barbados: Key Challenges and Focal Areas for Reform Blog	https://blogs.iadb.org/caribbean-dev-trends/en/barriers-to-financial-access-in-barbados-key-challenges-and-focal-areas-for-reform/
Kimberly Waithe Crying Out for Credit: Improving Access to Finance in Barbados Blog	https://blogs.iadb.org/caribbean-dev-trends/en/crying-out-for-credit-improving-access-to-finance-in-barbados/
David Rosenblatt Caribbean Potential Takes Center Stage as Caribbean Governors Meet Blog	https://blogs.iadb.org/caribbean-dev-trends/en/caribbean-potential-takes-center-stage-as-caribbean-governors-meet/
March 2020	**Abstract or Blog Link**
Lode Smets What determines the adoption of fiscal rules in resource-rich developing countries? An empirical investigation Discussion Paper	Over the past three decades, fiscal rules have increasingly been used as a tool to promote fiscal responsibility and macroeconomic stability. In principle, fiscal rules have numerous benefits, especially for resource-rich economies. Many countries, however, still opt to leave fiscal policy unconstrained. This paper investigates the reasons for this by determining the economic, institutional, and political factors which influence the likelihood that a country will adopt a fiscal rule. It focuses on resource-rich countries and accounts for the role of development

	agencies. Results from a conditional fixed-effects logit model indicate that strong macroeconomic fundamentals and government stability are associated with the adoption of a fiscal rule. Furthermore, the evidence shows that the presence of more development partners especially multilateral agencies increases the likelihood of adoption, even when controlling for the volume of aid and the presence of an IMF program. Generally, these results are robust to the use of different estimation techniques, an alternative measure for commodity dependence, and a restriction on the estimation sample.
Maria Alejandra Zegarra Hurricane Dorian from the Sky Blog	https://blogs.iadb.org/caribbean-dev-trends/en/hurricane-dorian-from-the-sky/
Henry Mooney and Maria Alejandra Zegarra Covid-19 Tourism-Based Shock Scenarios for Caribbean Countries Blog	https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/
April 2020	**Abstract or Blog Link**
Henry Mooney; David Rosenblatt; Laura Giles Álvarez; Maria Alejandra Zegarra; Victor Gauto; Jason Christie; Edmund Amann; Jeetendra Khadan Caribbean Region Quarterly Bulletin Magazine	This special edition of the Caribbean Quarterly Bulletin focuses on the evolving economic and human consequences of the ongoing COVID-19 outbreak for countries in the Caribbean region. Our team of economists based in countries across the region has been working to assess the situation and advise senior management of the Inter-American Development Bank (IDB) and stakeholders from member countries about the potential implications of the shock and policy responses best suited to mitigate its effects. First and foremost, the focus is on reducing the human impact of the crisis. Lives are at stake, but that said, so are livelihoods. As a result, it is important to try to understand the economic forces at work in order to think through appropriate policy responses.
May 2020	**Abstract or Blog Link**
Jeetendra Khadan COVID 19: Socioeconomic Implications on Suriname Technical Note	As of May 5, the Surinamese authorities confirmed a total of 10 COVID-19 cases, including 1 COVID-19 related death and 9 people who have recovered. Sixty-nine people are in quarantine. The country confirmed its first imported COVID-19 case on March 13, 2020. The authorities acted swiftly to contain further importation of the virus by closing all borders: land, sea, and air indefinitely. The authorities also limited social gatherings, closed all schools and universities, and restricted in-restaurant and bar dining services to prevent community spread. While these measures would have contributed to "flattening the curve," they are having adverse socioeconomic implications. This note examines the forecasted macroeconomic impact and the vulnerability of households and firms to the ongoing shock.

Diether W. Beuermann, Laura Giles Álvarez, Bridget Hoffman, and Diego Vera Cossio Covid-19: The Caribbean Crisis Blog	https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-the-caribbean-crisis/
Henry Mooney, David Rosenblatt, and Maria Alejandra Zegarra Caribbean Economies in the Time of the Coronavirus Blog/Podcast	https://blogs.iadb.org/caribbean-dev-trends/en/caribbean-economies-in-the-time-of-coronavirus/
June 2020	**Abstract or Blog Link**
Diether W. Beuermann, Diego Ubfal, Irani Arraiz, Michael Frese, and Alessandro Maffioli The Impact of Soft-Skills Training for Entrepreneurs in Jamaica Working Paper	A randomized controlled trial with 945 entrepreneurs in Jamaica shows positive short-term impacts of soft-skills training on business outcomes. The effects are concentrated among men and disappear 12 months after the training. The main channel is increased adoption of recommended business practices, exclusively observed in the short run. Persistent effects were observed on an incentivized behavioral measure of perseverance after setbacks, a focus of this training. An intensive course on soft-skills was compared to one that combines soft-skills with traditional business training. The effects of the combined training are never statistically significant.
Henry Mooney and Maria Alejandra Zegarra Extreme Outlier: The Pandemic's Unprecedented Shock to Tourism in Latin America and the Caribbean Policy Brief	The COVID-19 crisis will have devastating implications for countries around the world, particularly tourism-dependent economies. This paper highlights the vulnerability of many Latin American and Caribbean countries that are among the most dependent in the world on the tourism sector. Using shock simulations applied to activity in the tourism sector, it highlights how potentially damaging the pandemic could be for output, employment, and the balance of international payments across the region. The analysis suggests the pandemic is likely to imply an unprecedented shock, and that governments will have to look beyond traditional policy tools to safeguard their economies and citizens, and to ensure that the tourism sector both operators and those employed by the sector will be in a position to resume its substantial contribution when the crisis dissipates. COVID-19 represents an unprecedented extreme outlier event, and government efforts to protect the sector and their citizens must be equally unparalleled.
Victor Gauto and Henry Mooney Review of Financial Development and Inclusion for Guyana: Assessment and Options for Reform Policy Brief	Guyana's economy is on the verge of a historic transformation owing to recent oil discoveries. In this context, maximizing the benefits of faster growth and increased revenues will depend crucially on the financial sector. This paper presents an assessment of financial development, access, and inclusion for Guyana. Policy recommendations that flow from this analysis include the importance of durably addressing macroeconomic imbalances, reinforcing the regulatory and institutional frameworks, supporting the availability of information regarding credit and related counter party risks, and developing a coordinated approach to

	institutional and policy reform aimed at promoting financial inclusion (e.g., via development of a national financial inclusion strategy).
Henry Mooney and Maria Alejandra Zegarra Extreme Outlier: The Pandemic's Unprecedented Shock to Tourism in Latin American and the Caribbean Blog	https://blogs.iadb.org/caribbean-dev-trends/en/extreme-outlier-the-pandemics-unprecedented-shock-to-tourism-in-latin-america-and-the-caribbean/
Victor Gauto and Henry Mooney Six Recommendations to Ensure Guyana's Oil Wealth is More Financially Inclusive Blog	https://blogs.iadb.org/caribbean-dev-trends/en/six-recommendations-to-ensure-guyanas-oil-wealth-is-more-financially-inclusive/

COUNTRY SUMMARIES

I. The Bahamas

Laura Giles-Álvarez

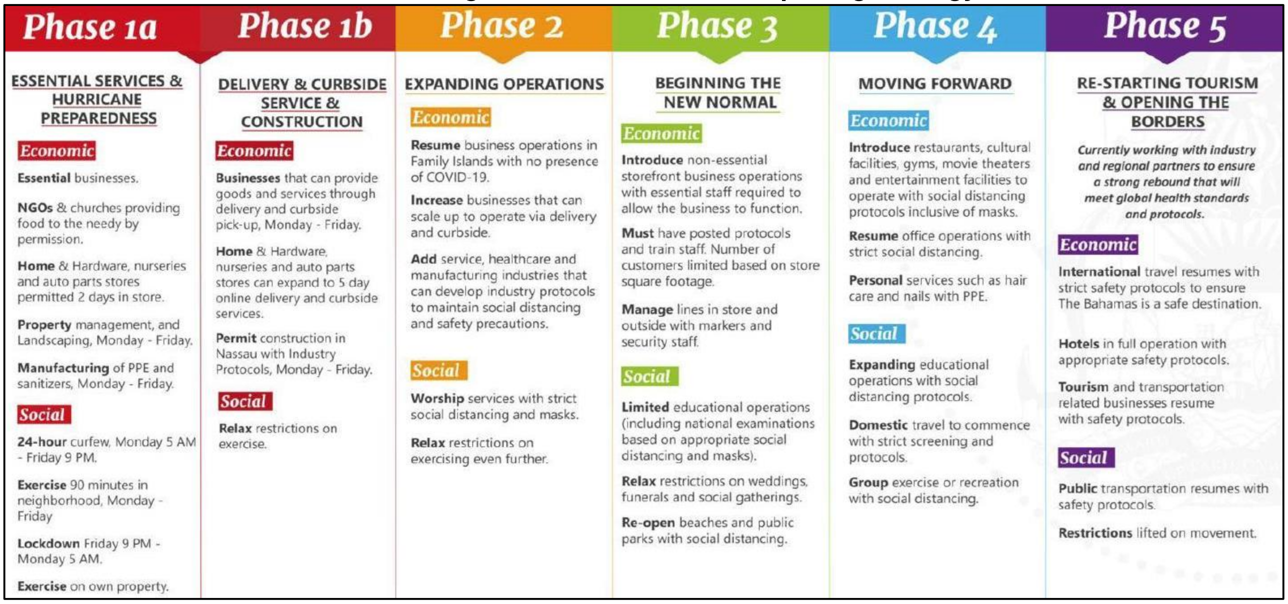
The COVID-19 Outbreak and Response Measures

The Bahamas has recorded COVID-19 cases in four islands. Positive cases have been recorded in New Providence, Grand Bahama, Bimini and Cat Cay, but the rate of growth of confirmed cases until July 15, 2020 had slowed down. As of July 20, 2020, The Bahamas recorded 153 positive cases, 11 deaths and 2,645 conducted tests.[18] The number of cases surged between July 15 and July 20 as a result of imported cases. The Bahamas has been the C-6 country with the highest percentage of recorded deaths in relation to confirmed cases.[19]

The authorities have taken a phased approach to the implementation of both the lockdown and the reopening strategies. Both the lockdown and the reopening strategies have been guided by the number and dispersion of cases and the capacity of the health authorities to respond to the pandemic. Upon recording the first positive cases on the third week of March 2020, The Bahamas declared the state of emergency on March 17, 2020, closed all airports and ports and set a 24 hour curfew on March 24, 2020. A full lockdown was imposed on April 8, 2020. On April 20, 2020, the government started implementing its reopening strategy (Figure 1), which is divided into six phases and has been gradually rolled out throughout April, May and June. In July 2020, the country was transitioning from Phase 4 to Phase 5 with the resumption of commercial flights. However, the authorities decided to reinstate night curfews, close public spaces and halt flights from the USA on July 20, 2020, because of the increase in imported cases between July 15 and July 20, 2020. Following a breach of COVID-19 protocol, due to the arrival of a group of persons by plane whilst borders remained closed, the Minister of Health resigned on May 4, 2020. The Prime Minister has stepped in as acting Minister of Health.

[18] Ministry of Health, Government of The Bahamas.
[19] C-6 countries are the Inter-American Development Bank Caribbean Department's countries: The Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago and Suriname. The Bahamas' ratio of deaths per confirmed case was 10.6, followed by Barbados (7.2) and Guyana (7).

Figure 1. Phases of the reopening strategy



Source: The Government of The Bahamas

The Economic Shock

COVID-19 is resulting in a serious shock to the economy. Prior to the pandemic, The Bahamas was overcoming the effects of Hurricane Dorian, a category 5 hurricane which hit the islands of Grand Bahama and Abaco in September 2019 and resulted in damages and losses reaching an estimated US$3.4 billion (27 percent of GDP) (ECLAC, 2019). COVID-19 has resulted in a sudden stop in tourism arrivals since March 2020, combined with close to a halt in domestic economic activity due to curfews and lockdowns. The economic contraction in 2020 is now estimated to reach 12.5 percent of GDP (Figure 2).

Unemployment claims have risen to unprecedented levels. Prior to COVID-19, the unemployment rate had increased as a result of Hurricane Dorian, from 10.4 percent in 2018 to 13.5 percent in 2019. However, the halt of activity in key economic sectors due to COVID-19, including tourism and construction, is resulting in a dramatic rise in unemployment claims. Unemployment claims to the National Insurance Board increased from 725 in August 2019 to over 26,000 in May 2020 (approximately 13 percent of the labor force).[20] As seen in Figure 3, initial estimates obtained in April 2020 show that the incidence of job losses has been more prevalent amongst lower-earning households.

[20] https://bahamasbudget.gov.bs/media/filer_public/35/3c/353cac9d-265c-40ba-b930-5b08769667c0/2020-21_budget_communication_-_final_1-compressed.pdf Total labor force is estimated at 194,605 based on the December 2019 and May 2020 Labour Force Survey.

Figure 2. Real GDP growth (2000-2020)

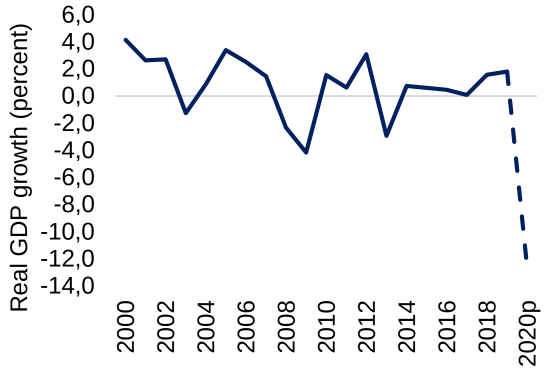
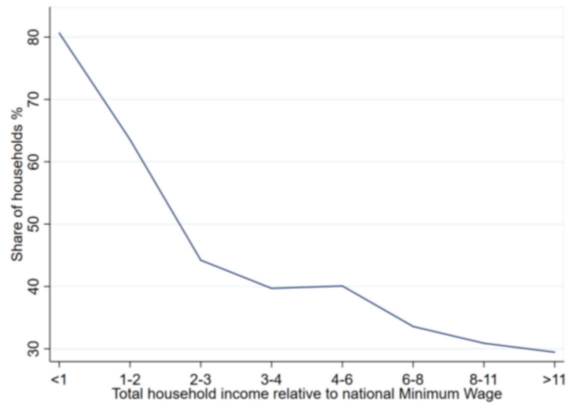


Figure 3. Reported job losses by income level



Source: Author's estimations based on IMF WEO April 2020 and Source: Data from Bottan, N; Hoffmann, B; and Vera-Cossio, D. 2020. The unequal burden of Coronavirus pandemic: evidence from Latin American and the Caribbean. Working paper (forthcoming)

The fiscal stance has been severely hindered. The combination of Hurricane Dorian and COVID-19 have resulted in a fall in revenue collection and required increase in expenditure. The fiscal balance is estimated to reach -6.7 percent of GDP and -9.5 percent of GDP in FY2019/20 and FY2020/21 respectively, compared to -1.7 percent of GDP recorded in FY2018/19. Gross public sector financing needs are expected to reach 15 percent of GDP by 2021.[21] After being removed from the tax blacklist in February 2020, on May 2020 the European Union announced their deliberation of reintroducing The Bahamas in their anti-money laundering blacklist, due to shortfalls in their regulatory systems relating to anti-money laundering and terrorism financing.

Tourism performance and reinsurance receipts shaped the current account balance in 2019 and 2020. The current account balance improved from -12.1 percent of GDP recorded in 2018 to 0.7 percent of GDP in 2019 as a result of re-insurance inflows, following the passage of Hurricane Dorian, and strong tourism receipts in 2019. The Bahamas is greatly dependent on the trade of goods and services. During 2011-2019, imports of goods and services accounted for an average of 43 percent of GDP, while exports averaged 36 percent of GDP. Tourism services and receipts represented over 87 percent of total exports of services between 2011 and 2019. The Bahamas is also greatly dependent on imports, particularly for food and fuel, which jointly comprise 33 percent of imported goods in 2018. In 2020 exports will be hindered by the halt in tourism services. Imports are also expected to fall as a result of lower oil prices and lower tourism sector demand. The trade balance is thus expected to worsen, and The Bahamas is forecast to run a twin deficit with a forecast current account balance of -17.2 percent of GDP in 2020.

Falling foreign direct investment (FDI) and higher external borrowing will shape the financial account in 2020. The level of FDI declined from 4 percent of GDP in 2018 to 2.2 percent of GDP in 2019.

[21] https://www.imf.org/en/Publications/CR/Issues/2020/06/04/The-Bahamas-Request-for-Purchase-under-the-Rapid-Financing-Instrument-Press-Release-Staff-49489

External financing needs are expected to increase threefold compared to 2019 and reach approximately 9 percent of GDP in 2020. In response, the Government of The Bahamas (GoBH) is increasing borrowing, particularly external borrowing. The debt-to-GDP ratio, including contingent liabilities, stood at 65.2 percent of GDP in 2019 and is expected to reach over 80 percent of GDP in the next 2-3 years. In addition to the planned $200 million policy-based loan from the IDB and an expected $120 million in investment loans from the Inter-American Development Bank for 2020, the GoBH approved a $250 million rapid financing instrument with the International Monetary Fund on June 1, 2020. This will have a positive impact on investor confidence, which will likely be hindered by the looming credit downgrade.

Gross international reserves continued an upward trend in the first half of 2020. Gross international reserves stood at $1,760 million (17.8 weeks of import cover) at the close of 2019 and continued an upward trajectory to reach $2,033.9 million in April 2020. The Guidotti-Greenspan ratio is 1.7 and the adjusted Guidotti-Greenspan ratio is 1.3, which shows sufficient levels of reserves to cover external debt obligations.[22] Reinsurance flows, following Hurricane Dorian in the last quarter of 2019, net tourism contributions in 2019 and the halt of repatriation of dividends from the first quarter of 2020, contributed to this rise. Having gone into the pandemic with sufficient external buffers is of extreme importance to maintain the exchange rate peg, particularly as tourism is likely to remain subdued until at least 2021.

Effects on the social sector

The Bahamas scores highly on human development indicators, reflecting broad access social services, which have been important to channel resources during COVID-19. The Bahamas is classified in the very high human development category, scoring 0.805 on the 2018 multidimensional Human Development Index (HDI) and ranking of 60th out of 189 countries. This was slightly below the average 0.892 score of other very high HDI scoring countries, but above other countries in the region such as Jamaica (scoring 0.726) or Trinidad and Tobago (scoring 0.799). The Bahamas also scored 0.353 in the 2018 Gender Inequality Index (GII) and ranked 76th out of 162 countries. These numbers reflect a widespread social protection system, which provides universal access to education and health. The authorities have been making use of its preexisting social assistance programs and the national insurance board to channel support for COVID-19, as can be seen by the rising coverage of preexisting and new social programs in Figure 6.

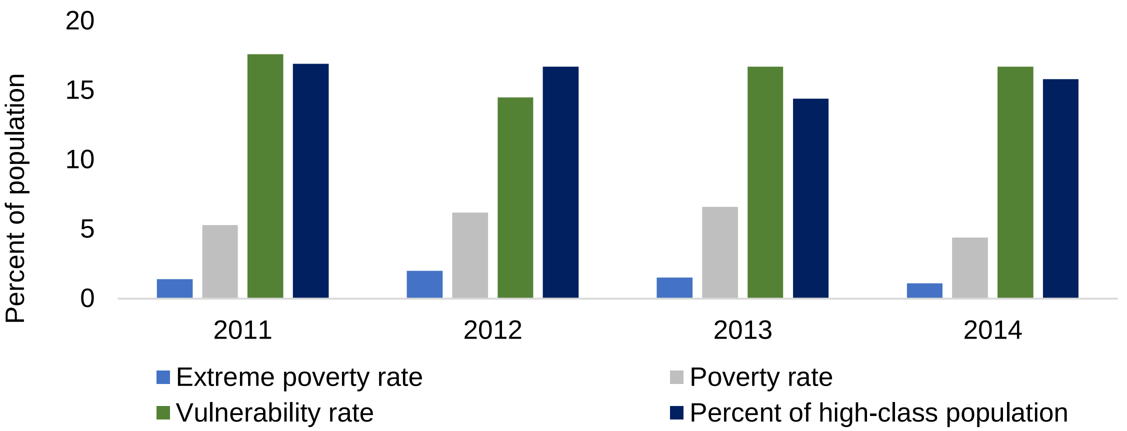
Between 2011 and 2014, the bottom quintile of the population was either in poverty or at risk of falling into poverty.[23] As seen in Figure 4, extreme poverty hovered in the range of 1 to 2 percent of the population and fell to 1.1 percent in 2014 (compared to 1.4 percent registered in 2011 and 2 percent recorded in 2012). Poverty levels also decreased, from 5.3 percent of the population in 2011 to 4.4 percent in 2014. Although poverty levels are low compared to those of other countries in the Caribbean region, they

[22] The Guidotti-Greenspan ratio is used as an indicator of liquidity vulnerability which measures the level of reserves compared to short-term external debt. The rule of thumb is that foreign reserves should cover at least 100 percent of short-term external debt. The adjusted Guidotti-Greenspan ratio also considers the current account balance. Inter-American Development Bank. 2020. "Financing Needs & Liquidity Report" Washington DC, United States: Inter-American Development Bank Research Department (forthcoming)

[23] Extreme poverty is defined as those earning below US$1.9 a day. Poverty is defined as those earning below US$5 a day and vulnerability is defined as those earning between US$5 and US$12.4 a day. The lack of more recent data impedes an updated poverty and inequality estimates.

are more than twice the poverty rate typically recorded in other high-income countries.[24] Vulnerability declined more modestly, from 17.6 percent in 2011 to 16.7 percent in 2014. On the upper end of the income distribution, approximately 16 percent of the population was consistently living on more than US$62 dollars per day over the period of study. This is substantially higher than other high-income countries in the Caribbean. For example, Barbados recorded 4.2 percent in 2014, and Trinidad and Tobago recorded 1.2 percent in 2014. The effects of COVID-19 on livelihoods are being severe. As seen in Figure 5, the fraction of households reporting earnings below the minimum wage more than doubled between January and April 2020.

Figure 4. Share of the population by income group[25]



Sources: IDB Social Department Central Database; CCB Staff Calculations. All thresholds PPP adjusted

[24] The World Bank's income category is used as a reference. High-income countries are those with a GNI per capita income of US$12,376 or more.
[25] The definitions used in this graph are the following: Extreme poverty: percent of population with income below US$1.9 a day. Poverty: percent of population with income below US$5 a day. Vulnerability: percent of population with income between US$5 and US$12.4 a day. High class: percent of population with income above US$62 per day.

Figure 5. Distribution of households by income January-April 2020

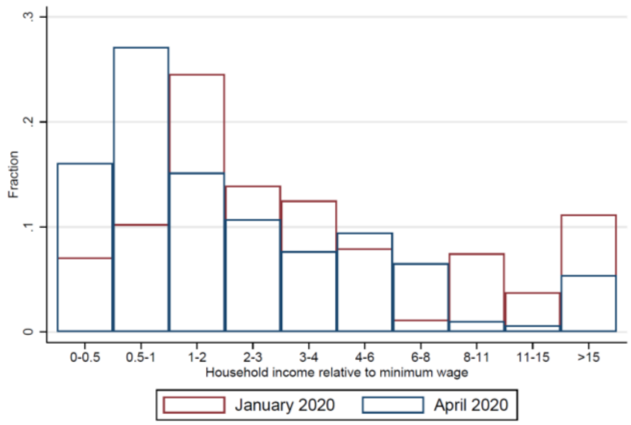
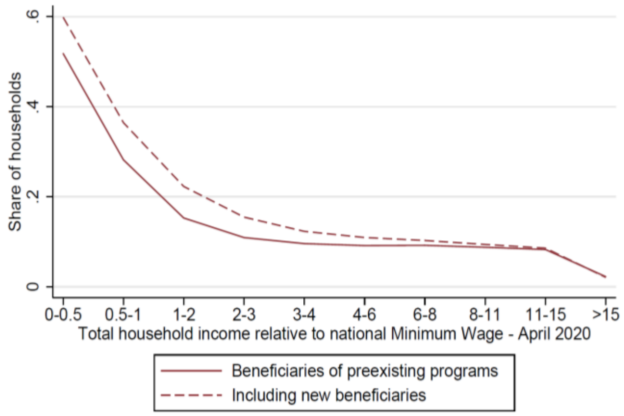


Figure 6. Coverage of preexisting and new social programs January-April 2020



Source: Data from Bottan, N; Hoffmann, B; and Vera-Cossio, D. 2020. The unequal burden of Coronavirus pandemic: evidence from Latin American and the Caribbean. Working paper (forthcoming)

II. Barbados

Laura Giles-Álvarez

The COVID-19 Outbreak and Response Measures

Since April 2020, Barbados has shown signs of flattening the epidemiological curve. Strict social distancing measures and comprehensive contact tracing efforts seem to be yielding results. The growth rate of new confirmed cases fell substantially since mid-April 2020 and has since remained low. However, four new confirmed imported cases amongst passengers from a repatriation flight in mid-June 2020 brought the total cases to 105 as of July 20, 2020. Total deaths are 7 and the number of tests is 9,495.[26] Despite high testing capacity by regional standards, the recently confirmed imported cases from repatriation flights is a reminder that there is still an imminent threat of new outbreaks as borders reopen.

The government's closing and reopening strategies have been phased. Upon confirming the first set of positive cases in mid-March 2020, the authorities rolled out a strict set of containment measures, including setting a 24 hour curfew on April 3, 2020 and a halt on all commercial travel since the end of March 2020. On April 30, 2020, the Prime Minister announced and commenced a phased reopening strategy. Phase 2 started on May 4, 2020 with the reestablishment of a larger range of services, the scale back of the curfew and the reopening of some public spaces such as beaches. Phase 3 began on May 18, 2020 allowing the resumption of a wider range of services and on Monday June 15, 2020 all remaining workers returned to work. Repatriation flights commenced in June 2020, and commercial flights resumed on July 12, 2020. The authorities have also launched a new 1-year visa to promote long-term visitors who can work from Barbados during the pandemic.[27]

Economic Shock

COVID-19 has worsened Barbados' economic recession. Tourism activity came to a halt in March 2020, which together with a stop of domestic economic activity due to the curfew, has worsened the country's economic recession. Following a contraction of 0.1 percent in 2019, the economy contracted 3 percent in the first quarter of 2020 and is expected to fall by 11.6 percent in 2020 (Figure 1). Such a shock will greatly affect the fiscal targets set under the Extended Fund Facility (EFF) with the International Monetary Fund (IMF), which Barbados has been implementing since October 2018.

The halt on key sources of economic activity is resulting in a dramatic rise in unemployment. Unemployment claims to the National Insurance Scheme (NIS) reached 41,836 on May 27, 2020, roughly one-third of the workforce.[28] In order to ensure there is enough liquidity to meet the growing demand for unemployment benefits, the government will buy up to BBD$250 million in bonds currently held in the NIS. However, the full extent of the impact on the NIS's financial position remains uncertain. Figure 2 shows the share of households reporting income losses by source. Based on this figure, middle-income households

[26] Data retrieved on July 13, 2020 https://gisbarbados.gov.bb/covid-19/
[27] https://www.washingtonpost.com/world/2020/07/16/barbados-work-remote-coronavirus/
[28] https://gisbarbados.gov.bb/blog/barbados-optional-savings-scheme-boss/

(those earning between 1 and 4 times the minimum wage), have been the most affected by the economic shock: Between January and April 2020, 51.5 percent of middle-income households reported job losses, compared 49.4 percent of low-income households and 38.7 percent of high-income households. In addition, 37.8 percent of middle-income households reported business closures, compared to 25.8 percent and 33.4 percent in low- and high-income households, respectively. Rental losses were more prevalent amongst high-income households (13.9 percent of households in high-income households, compared to 9.3 percent in middle-income households and 3.2 percent in low-income households).

Figure 1. Real GDP Growth (percent)

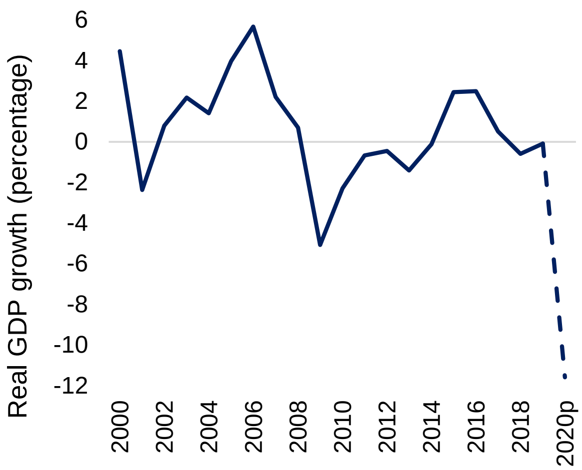
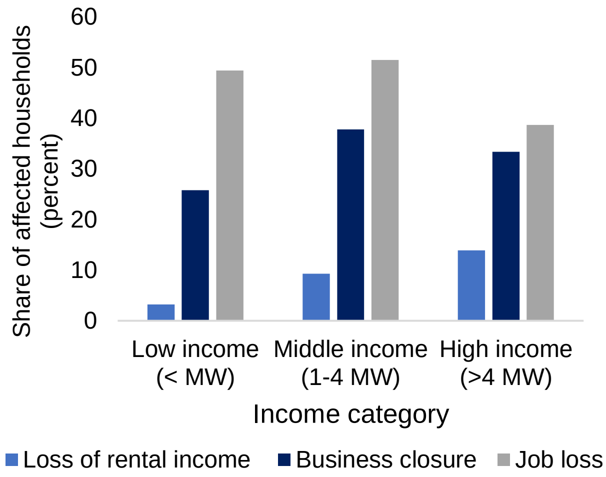


Figure 2. Household income shocks by source



Note: (MW) minimum wage.
Sources: IMF WEO April 2020 and June 2020 and data from Bottan, N; Hoffmann, B; and Vera-Cossio, D. (2020). he unequal burden of Coronavirus pandemic: evidence from Latin American and the Caribbean. Working paper (forthcoming)

Although Barbados reached its primary fiscal target under the EFF in FY2019/20, this objective has been revised to accommodate for the economic shock. Despite lower than projected revenues, an expenditure adjustment resulted in the achievement of the agreed primary fiscal balance of 6 percent of GDP in FY2019/20.[29] Due to COVID-19, the primary fiscal targets for FY2020/21 and FY2021/22 have been revised to 1 percent of GDP and 3.5 percent of GDP respectively.[30] The authorities are increasing borrowing, particularly from multilateral institutions, to meet the country's growing financing needs. Prior to COVID-19, the completion of the debt restructuring supported a reduction of the debt-to-GDP ratio from 158.3 percent of GDP in 2017 to 122.2 percent of GDP in 2019. The debt-to-GDP ratio is now forecast to rise to 133.6 percent of GDP in 2020 mainly as a result of growing external debt (Figure 3). US$370 million in budget support and additional funds through a contingent line are being provided by the Inter-American

[29] The fiscal year runs from April to March.
[30] Prior to COVID-19 this target was set at 6 percent of GDP for both years.

Development Bank (IDB), IMF and CAF in 2020.[31] The IMF also disbursed US$49 million in balance of payments support following a successful third review under the program in June 2020. On the domestic front, the authorities rolled out the Barbados Optional Savings Scheme in May 2020 to provide additional fiscal space for capital spending. Through this program, a portion of civil servants' salaries will be converted over 18 months into 4-year maturity bonds with a 5 percent interest per annum.[32]

COVID-19 has also triggered a shock to the external sector. In 2019 the current account deficit narrowed as a consequence of strong tourism performance, lower international oil and food prices and reduced import demand resulting from fiscal consolidation. However, COVID-19 has also triggered a shock to the external sector, mainly due to the dramatic drop in tourism receipts in 2020 which will be partially counteracted by lower oil prices and imports as tourism activity remains subdued. The current account deficit is thus expected to widen from 3.1 percent of GDP in 2019 to 10.2 percent of GDP in 2020 and the trade balance is projected to fall from 3.2 percent of GDP in 2019 to -4.4 percent of GDP in 2020. FDI slightly increased in 2019, to 4.7 percent of GDP. The effect of the halt of construction activity during the curfew and the impact of COVID-19 on source markets for investment will further reduce FDI to an estimated 1.2 percent of GDP in 2020.

International reserves have increased substantially throughout the course of the economic reform program. In 2017, prior to the onset of the economic reform program, gross international reserves stood at 5.3 weeks of import cover (Figure 4). In April 2020, they had increased to approximately 24 weeks of import cover. This was the result of policy-based lending from the IDB and the Caribbean Development Bank, balance of payments support by the IMF and a moratorium on repayments to international commercial creditors during the negotiation of the foreign debt restructuring. Keeping an adequate level of reserves is required for Barbados to maintain its exchange rate peg (BBD2=USD1), which has been in effect since 1975. Throughout the pandemic, the fall in foreign exchange earnings stemming from the halt in tourism services will likely results in a drawdown of foreign exchange reserves.

[31] This includes US$180 million policy-based loan support from the IDB, $90 million budget support from the IMF and US$100 million credit line from CAF. This figure does not include the balance of payment support provided by the IMF under the EFF nor the IDB's contingent credit line for natural disasters.
[32] https://gisbarbados.gov.bb/blog/barbados-optional-savings-scheme-boss/

Figure 3: Debt-to-GDP ratio

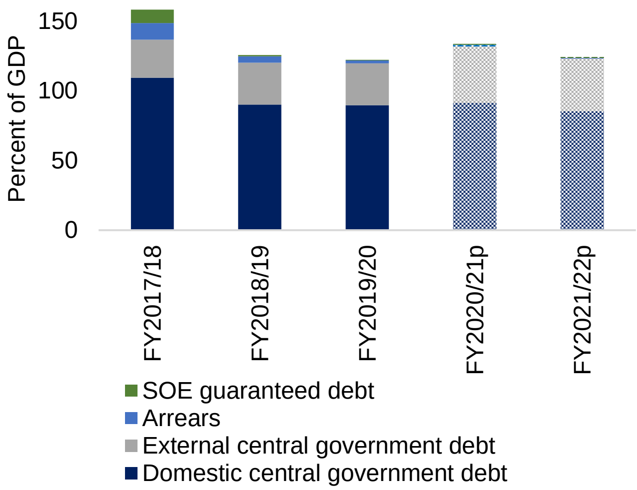


Figure 4. Gross international reserves

Note: (p) projected, (SOE) state-owned enterprises
Sources: IMF 2020 and Central Bank of Barbados April 2020

Social Sector

COVID-19 is having a dramatic effect on livelihoods in Barbados. As seen in Figure 5 the number of households earning below the minimum wage between January and April 2020 more than doubled, increasing the share of poor or vulnerable population. Prior to COVID-19, overall household poverty had increased, from 15.1 percent in 2010 to 17.2 percent in 2016. Whereas extreme poverty had decreased from 6.8 percent to 3.4 percent during the same period.

Barbados has channeled support to the population through its broad social protection system. Barbados ranks 56th out of 189 countries in the Human Development Index (with a score of 0.813), above other countries in the region such as Jamaica (96th) or The Bahamas (60th). High human development indicators are supported by a strong social protection system, which is divided into: i) social insurance; ii) social safety net programs and; iii) public health and education services. Although the coverage is widespread, the organization of social assistance projects is complex and largely uncoordinated, characterized by many small-scale programs that make limited use of technologies for the selection and monitoring of beneficiaries. The authorities have strongly relied on these programs to mitigate the impact of COVID-19 on livelihoods. As seen in Figure 6, the coverage of existing and new programs increased between January and April 2020, particularly for lower-income households. Support to households has been increased through the Welfare Department programs, the NIS and through the creation of new programs such as 'Adopt Our Families' program. However, the social protection system was not designed to be adaptive and scale up so drastically in times of crisis. This is likely creating strains on the social system, which will prevail in the next few years.

Figure 5. Distribution of households by income January-April 2020

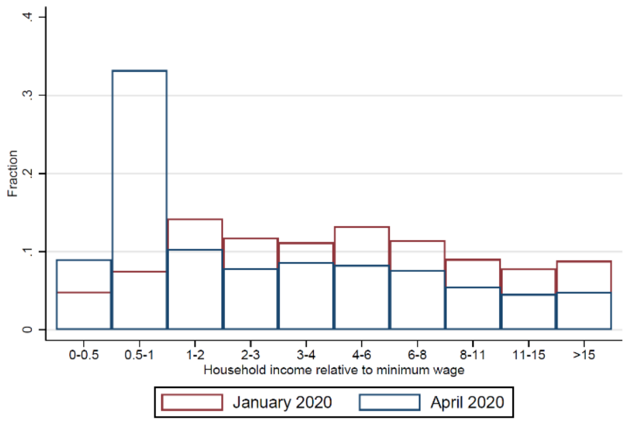
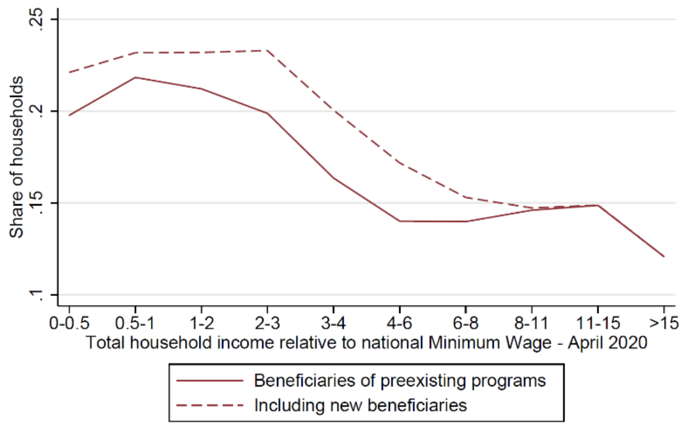


Figure 6. Coverage of preexisting and new social programs January-April 2020



Source: Bottan, N; Hoffmann, B; and Vera-Cossio, D. (2020). he unequal burden of Coronavirus pandemic: evidence from Latin American and the Caribbean. Working paper (forthcoming)

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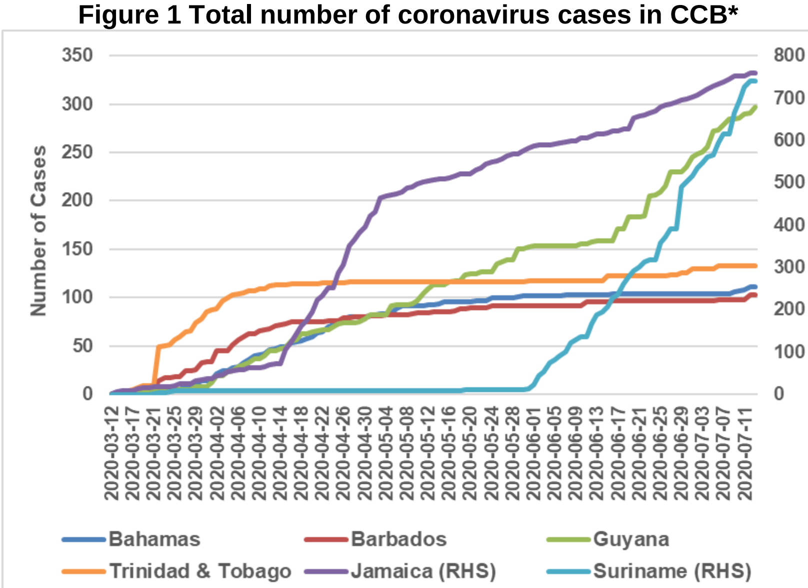
III. Guyana

Victor Gauto and Elton Bollers

Update on Coronavirus Pandemic

As of July 13, the total number of cases in Guyana increased to 297 cases, including 17 deaths. There is a total of 126 active cases who are in institutional isolation and 20 contacts of active cases in institutional quarantine. Five people are currently hospitalized in intensive care units. Though increasing, Guyana has fewer cases than Jamaica and Suriname (700+ cases), and more cases than Trinidad and Tobago, The Bahamas, and Barbados, all with less than 150 cases (Figure 1). The new daily cases are very volatile in Guyana, mostly remaining below ten per day, but spiking to 15 or more cases on three occasions. The total number of tests carried out in Guyana increased to 3,252. Although the Pan American Health Organization/World Health Organization (PAHO/WHO) announced in April Guyana would benefit from 7,000 additional testing kits, testing rates remain relatively low at 4.1 per 1000 people compared to 30.7 in Barbados, 9.5 in Jamaica, 6.4 in The Bahamas, 4.1 in Trinidad and Tobago, and 2.1 in Suriname.

Figure 1 Total number of coronavirus cases in CCB*



Source: ourworldindata.org. (*) CCB: Country Department Caribbean

Political Context

The outcome of Guyana's regional and general elections remains uncertain. After having held elections on March 2nd, a 33-day national recount exercise was concluded on June 7th. This paved way for the Guyana Elections Commission (GECOM) to complete its elections report and make a declaration of results. However, this process has been mired in a struggle over the GECOM election report with questions about the validity of some ballots counted in the recount process. These questions were practically dismissed by

the CARICOM observers of the recount process claiming the results of the recount process should be the basis for GECOM's declaration of elections' results. The question was raised to the Caribbean Court of Justice which ruled in favor of using the results of the recount process, signaling the opposition People's Progressive Party/Civic had won the elections. The elections report prepared by the Chief Election Officer (CEO) of GECOM signaled the government APNU/AFC party had won the elections, after a qualification of which votes to count. The Chairperson of GECOM requested that the CEO's report be consistent with the result of the recount process, without qualifications. The officer in charge of preparing the election report has not complied with the Chairperson's request and the matter remains unresolved.

Settling the elections is important for the government to respond to the coronavirus pandemic. As Parliament was dissolved for the elections in December 2019, the government cannot pass legislation on economic policy or access oil revenues accumulating in the Natural Resource Fund. In the first semester of 2020, the government reported receiving approximately US$ 95 million in oil revenues.

Overview of Policy Response

The government responded to the crises by adopting the following measures: i) the suspension of all school activities for the year; ii) closure of the two international airports iii) creating the National Coronavirus Disease Task to coordinate the government's action plan iv) granting of special powers to the Ministry of Health to prevent and control the spread of the disease, and v) on April 3, the government announced restrictions on public gatherings and movement, with only essential service businesses remaining open and an evening curfew, which has been extended to June 17^{th}. Schools have been reopened only for students in grades preparing for special exams. Finally, the National Coronavirus Diseases Task Force announced a six-phase re-opening of Guyana. The first phase generally extends the initial lockdown measures to July 17^{th}. However, special restrictive measures were applied to specific communities, including two mining areas due to recent infection surges, with measures extending to August 3.

Economic shock

Despite uncertainties related to the coronavirus, the political context, and the fall in oil prices earlier in the year, Guyana's outlook remains positive due to the sheer volume of expected oil production. With Guyana beginning oil production in December 2019, one of the main transmission mechanisms of the global economic and health crises is through its impact on commodity prices, namely oil and gold, which are expected to be Guyana's largest exports in 2020. Plummeting oil prices have contributed to updated estimates for Guyanese oil exports, government revenues, and GDP growth. The IMF revised the value of Guyana's oil exports in 2020 from US$ 2.4 billion to US$ 1.3 billion, still representing Guyana's largest productive sector. Similarly, while government revenues were originally expected to grow by 25.9% in 2020, this estimate has been revised down to 12.8%. Finally, Guyana's GDP growth estimate was revised down from 85.6 to 52.8%, still a remarkable growth figure and the only positive one in 26 Latin American and Caribbean countries (Figures 2 and 3; IMF-WEO, October 2019; April 2020).

Figure 2 GDP Growth estimates

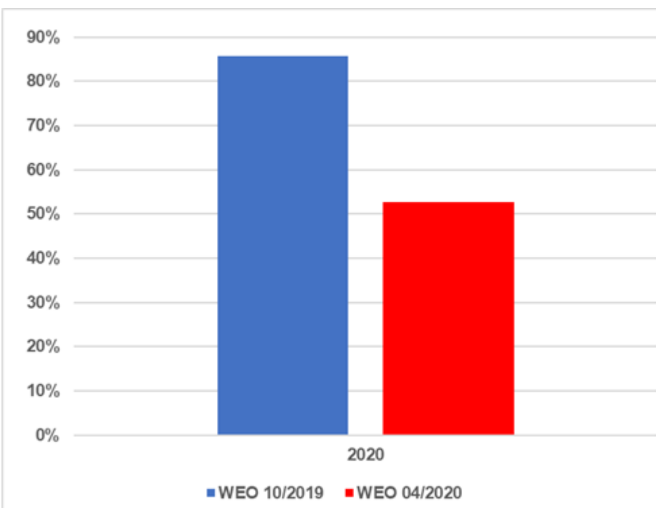
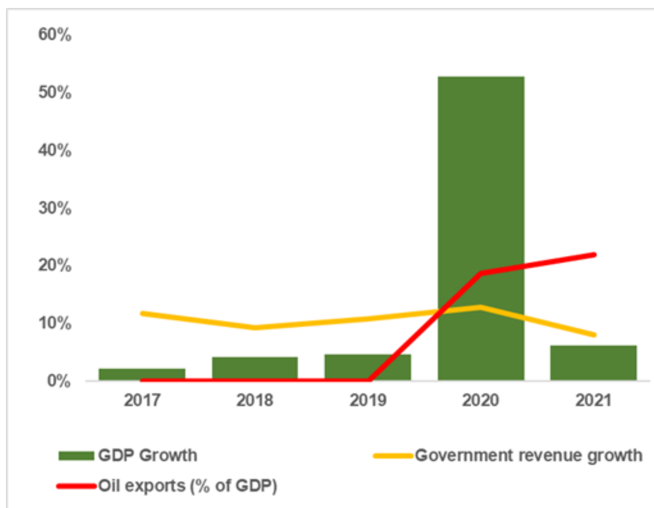


Figure 3 GDP Medium-term indicators



Source: IMF—World Economic Outlook 10/2019; 04/2020.

In the other leading sectors of the economy such as agriculture and mining, authorities are reporting signs of limited impact. Agriculture and mining were the largest sector of the Guyanese before oil production, representing approximately 16 and 14% of GDP, respectively. The mining sector is expected to benefit from higher profit margins due to lower fuel costs and higher prices of gold. Globally, the price of gold increased from US$ 1,400 at the end of June 2019 to approximately US$ 1,720 currently, a 23% increase. Despite the favorable financial conditions, the public health situation and travel restrictions have affected both gold and bauxite operations in terms of worker availability and private

sector measures prioritizing the safety of workers. Government authorities in the mining sector report expecting some impact, though the magnitude of the impact remains uncertain[33].

Other sectors of the economy are expected to have varied outcomes. Private sector authorities have reported that construction, retail retails, and tourism have been negatively affected, while food manufacturing and fish production have not been significantly affected[34]. The three largest sectors following agriculture and mining are retail sales, construction, and transportation making up 35% of the economy. Government authorities related to rice production have painted an optimistic picture, indicating that falls in demand for rice in Europe has been offset by greater demand in the region. After gold, rice is Guyana's greatest export representing approximately 14% of total exports (Figure 5).

Tax revenue collections are expected to remain flat in Guyana. Non-oil economic activity in Guyana could be approximated by tax revenue collections, which do not include oil-related income. Both GDP growth and tax collections are generally expected to contract across the region in 2020. The IMF estimates tax collections are expected to remain flat in Guyana, growing by 0.5%, while they are estimated to decline by an average of 4.5% across the region (IMF-WEO, 04/2020).

Figure 4 External account (% of GDP)

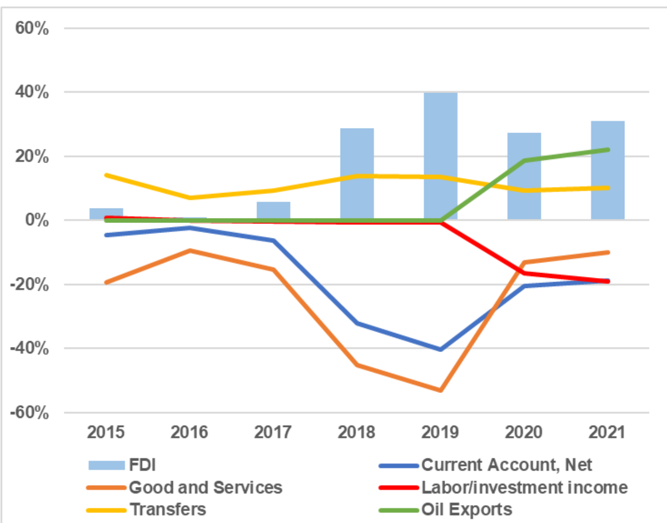
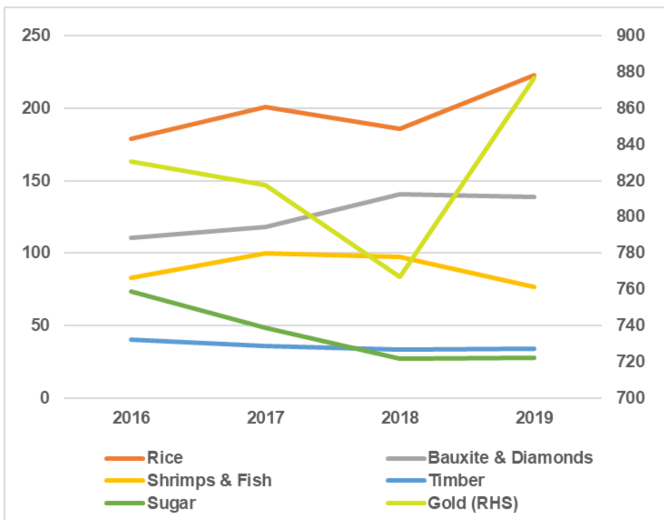


Figure 5 Major exports (US$ Millions)



Source: IMF—WEO, April 2020, Bank of Guyana, 2020; Guyana Bureau of Statistics.

In terms of the external accounts, the current account and trade balance have been updated to reflect significant deficits beginning in 2018. The IMF updates show trade and current account balances reaching their low point in 2019 right before the beginning of oil production. The trade deficit declined to 53% of GDP and the current account deficit to 40% of GDP (Figure 4). The current account deficit is financed by net foreign direct investment inflows of also 40%. These dynamics are explained by foreign oil

[33] https://www.stabroeknews.com/2020/05/24/news/guyana/covid-19-causes-major-disruption-to-large-scale-mining/
[34] https://www.stabroeknews.com/2020/05/29/news/guyana/private-sector-urges-govt-to-buy-crops-to-support-farmers-feed-citizens/

operators increasing production-related imports and may be accounting for the cost of the first oil production vessel, reported to be valued at more than US$ 1 billion. The trade balance is expected to climb significantly in 2020, after accounting for oil production, reaching a deficit of 13% of GDP. Figure 4 shows how the current account balance is weighed down by net labor/investment income outflows, one of the components of the current account balance, since in 2020 and 2021 it reflects net outflows offsetting oil export earnings. Oil exports as a share of GDP are estimated to be 19% and 22% of GDP in 2020 and 2021, respectively, while labor/investment income outflows are estimated to be -16% and -19% of GDP. In fact, by subtracting these net outflows from GDP and approximating a measure of Gross National Income (GNI), the economy is estimated to grow by 28.5% in 2020.

Figure 6 Falling income levels

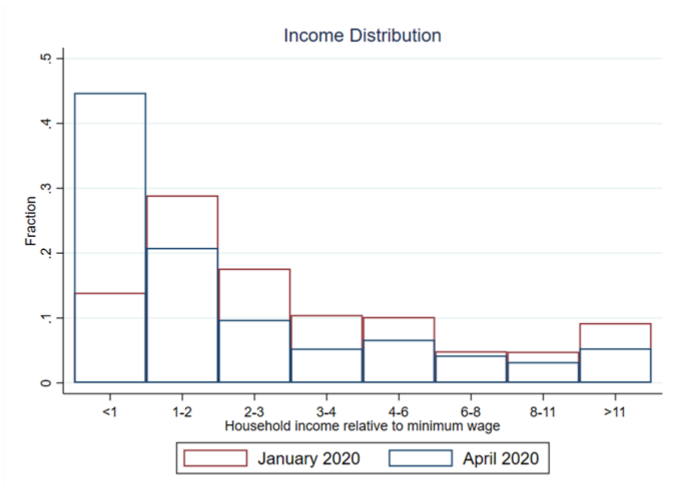


Figure 7 Job losses and business closures

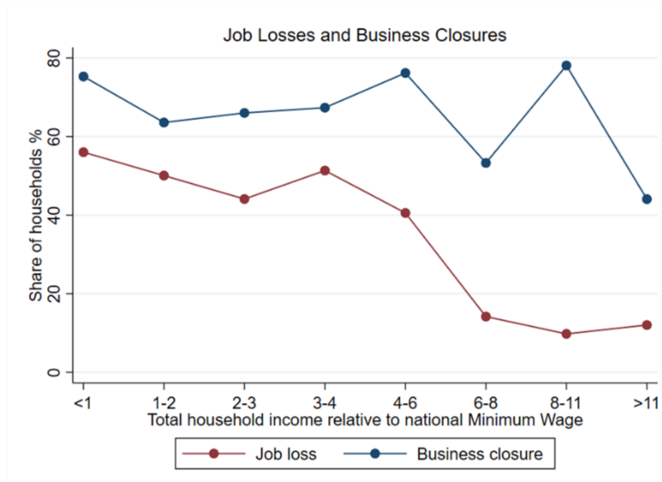


Figure 8 Food security

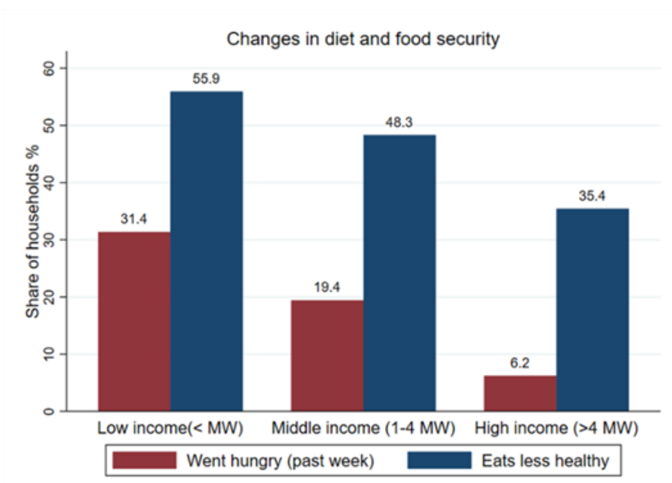
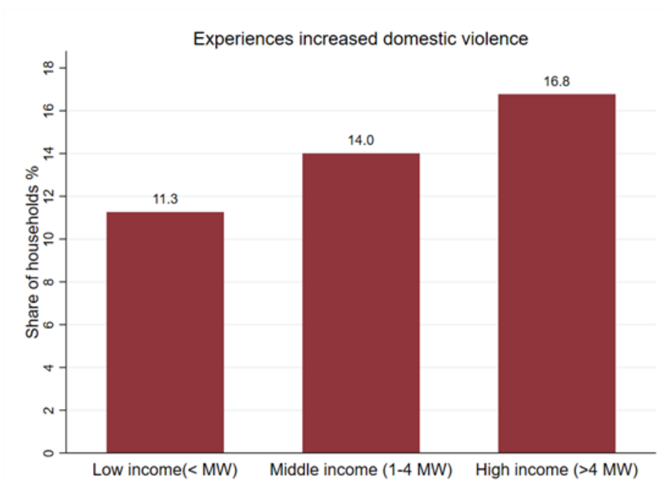


Figure 9 Domestic violence



Source: IDB online survey.

In the social sector, the crisis is impacting both lives and livelihoods. To understand how, the Inter-American Development Bank carried out an online socioeconomic survey across all 6 countries of the Caribbean. In Guyana, almost 1,700 households responded in April 2020. Some key trends emerged across the survey data. Among the households surveyed, the percentage of households earning less than the minimum wage increased from approximately 13% in January 2020 to approximately to 45% in April 2020. Figure 6 shows consistent reductions across all income levels in households earning above the minimum wage as reflected by the blue box representing April 2020. Figure 7 shows the highest share of households suffering job losses and business closures are from the lower levels of the income distribution. Almost 60% of households earning less than the minimum wage suffered job losses while around 16% of households earning 11 times the minimum wage suffered job losses.

These dynamics have influenced food security and domestic violence. Figure 8 shows that some households are struggling to cover some basic needs with 31.4% of households earning less than the minimum wage reported going hungry in the past week and 55.9% reported eating less healthy. These adverse effects remain prevalent but lower among higher income households. Finally, the risk of greater domestic violence potentially increases with stress and confinement. Contrary to regional trends, households from higher levels of income report experiencing greater domestic violence, increasing from 11.3% for low income households to 16.8% in higher income households.

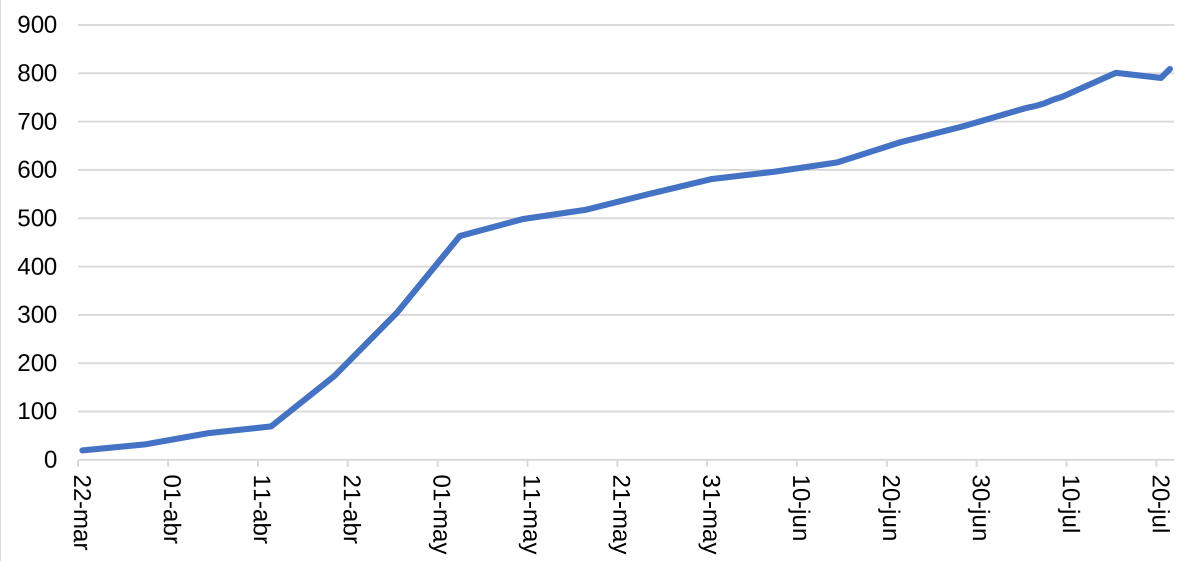
IV. Jamaica

Jason Christie and Henry Mooney

Update on COVID Outbreak

On March 10, Jamaica recorded its first case of the coronavirus, which prompted authorities to initiate a number of measures aimed at stopping the spread of the virus. Cases rose quickly to approximately 100 during the first 30 days[35] (through April 10), with many of these initial cases linked to a localized outbreak at a single enterprise. As of July 20, there were approximately 800 cases of the virus identified on the island (Figure 1), based on about 22,000 administered tests. Of these, 10 fatalities were attributed to the crisis.

Figure 1. Diagnosed COVID-19 Cases in Jamaica



Source: IDB and Jamaica Ministry of Health and Wellness.

Prevention and Response Measures

Relatively low numbers of cases in Jamaica are undoubtedly linked to early and decisive action on the part of the government to contain the virus. These measures include border and travel restrictions, mandatory quarantines, public information campaigns, as well as public health measures aimed at improving the system's capacity to test and deal with infections. In particular, authorities declared a national emergency, which provided the government with legal and other authorities required to limit business operations and other activities where people might gather (e.g., schools, places of worship, etc.), and to

[35] Ministry of Health and Wellness - https://jamcovid19.moh.gov.jm/

impose sanctions for non-compliance. A nationwide curfew followed in an effort to further curtail social gathering, as well as localized lockdowns when cases began to increase in certain areas.

More recently, with a slowing of the rate of transmission, authorities have begun the process of reopening. The first phase of reopening began with churches and bars on May 19, followed by the lifting of stay at home orders on June 1, as well as the restart of in-class sessions for senior secondary students on June 8. More recently, air and sea ports were allowed to reopen to international travel on June 15, with the tourism sector slated to begin accepting bookings, depending on demand. Inbound passengers from abroad will be subject to special procedures, including that all passengers require travel authorization that must be sought prior to arrival. Upon arrival, all travelers will undergo a short risk assessment by a public health officer. If officers identify a high risk—e.g., symptoms of COVID-19, or if a passenger has traveled from or through countries where there is high community transmission of COVID-19—, individuals would be subject to a PCR test[36], and be placed in quarantine for up to 48 hours until results are available. If tests prove negative, travelers would be allowed to move within Jamaica's "COVID-19 Resilient Corridor"[37], while following all hygiene measures that are in place. If tests are positive, the traveler would be placed in isolation. Additional restrictions were also imposed in July for travelers from high-risk locations, including New York, Florida, Arizona and Texas, who are required to upload a negative COVID-19 PCR test result 10 days prior to arrival in order to obtain approval to travel to Jamaica.

Economic Context and Shock

COVID-19 implies a significant shock to Jamaica, particularly given its dependence on tourism. As detailed in our introductory section and Table 1 (below), Jamaica is one of the most tourism-dependent economies in the world, relying crucially on the sector for export receipts, employment, and output. In this context, the total contribution of tourism to employment and output is about 30 percent, while tourism receipts are the equivalent of about 50 percent of all export revenues. While as detailed above, ports of entry have reopened to travelers from abroad, stringent restrictions on outbound and return travel in key source countries (e.g., the United States, Canada, Europe) continue to stifle the tourism industry. Similarly, both the attitudes of would-be travelers, and the impacts of the crisis on disposable incomes may continue to create hurdles for the sector over the coming months and into next year.

Table 1. Jamaica: Tourism Dependence

Contribution to GDP		Share of Employment		Tourism Receipts		Tourism Arrivals		
Direct	Total	Direct	Total	Share of Exports		Total Arrivals	Air	Cruise
(Percent)		(Percent total employment)		(Percent of total)	(Percent of GDP)	(Number)	(Percent of total arrivals)	(Percent of total arrivals)
10.5	33.7	9.4	30.5	53.4	19.7	4,330,239	57.4	42.6

Notes: Data for 2018 and 2019.
Source: Author's calculations based on data from the Jamaica Tourist Board; World Bank / World Travel and Tourism Council; and the Bank of Jamaica.

[36] Polymerise chain reaction (PCR) and antibody testing for Covid-19.
[37] The "COVID-19 Resilient Corridor" is a defined geographical area within Jamaica designated for tourism purposes.

Given many lingering uncertainties, it is difficult to estimate the impact on economic performance with any degree of precision. After successfully graduating from long-term IMF support in November 2019, the Government of Jamaica requested emergency assistance from the IMF under the Rapid Financing Instrument (RFI) in March of 2020. This assistance—equal to about US$520 million dollars—has not been allocated to fiscal financing requirements, but will instead be used to reinforce external buffers of the central bank. The most recent projection from the IMF and GOJ (May 2020) envisions a GDP declaration of -5.3 percent in FY2020/21[38], and a strong rebound the following year. While the prospects for a return to pre-crisis levels of tourism remain uncertain, the nature of the shock is such that we would expect a strong recovery once the sector resumes operation—the IMF's current estimates for FY2021/22 are for real GDP growth of about 3.9 percent.

In this context, the GOJ's successful economic reform effort from 2013 to 2019 put the country in a relatively strong position to confront this unprecedent shock. Notable achievements since 2013 include a reduction of the public debt-to-GDP ratio from 146 percent to 94 percent (at end-FY2019/20); a shift from managed to floating exchange rates; implementation of a functioning inflation targeting framework in 2017; and, a strong improvement of external buffers. Against this backdrop, the GOJ entered the crisis from a position of strength at end March 2020, including: strong reserves buffers (~24 weeks of imports); a large reprogrammable fiscal envelope (i.e., both primary and overall balance surpluses); and, a strong cash position originally earmarked for debt repayment (equal to about 4 percent of GDP). As a result, the recent supplemental budget outlining crisis response measures and updated fiscal projections envisions lower gross domestic and external financing requirements than expected prior to the crisis, owing to the reorientation of funds for debt repayment to financing needs for FY2020/21. As noted earlier, the IMF RFI resources are not being used for government financing, and are meant to serve as supplemental external buffers. Against this backdrop, the exchange rate has remained broadly stable, and the Bank of Jamaica (BOJ) has refrained from large or sustained intervention in the foreign exchange market.

The GOJ has undertaken a number of measures to address the crisis, including as outlined in a supplemental budget released in May. In the supplemental budget, the GOJ announced tax cuts equal to about 0.6 percent of GDP, along with targeted expenditure measures equal to about 0.5 percent of GDP in stimulus to counteract the effects of COVID-19. Tax cuts include a reduction in the standard GCT rate from 16.5 to 15.0 percent, and an income tax credit for companies with annual sales/revenue less than or equal to J$500 million. On the expenditure side, significant measures include a program dubbed "COVID-19 Allocation of Resources for Employees" (CARE), which provides cash transfers to businesses in targeted sectors based on the number of workers employed; transfers to individuals who have lost employment since March; as well as grants targeted to the most vulnerable segments of society. Additional measures have been announced to support the most affected sectors, including customs duty waivers on medical supplies and sanitizers and a cash transfer program for businesses in targeted sectors and individuals who lost employment.

While the crisis does imply adjustment, expectations are that the primary balance will remain in surplus, and that financing needs will be limited. As budgetary objectives are linked to the Fiscal Responsibility Law's (FRL) medium-term debt targets, the delay of the debt target has allowed the

38 The fiscal year begins on April 1.

government to accommodate the impact of the crisis by reducing the overall and primary balance targets for FY2020/21 from 0.4 percent of GDP and 6.5 percent of GDP, to -2.9 percent of GDP and 3.5 percent of GDP, respectively (table below). Expectations are that the primary surplus target would be increased to 5.4 percent of GDP next fiscal year, barring a further deterioration in outcomes. This will imply a larger gross financing need for FY2020/21—increasing from an originally estimated 8.6 percent of GDP to 12.0 percent of GDP. Despite the increased funding requirement of about 3.6 percentage points of GDP, both domestic and external financing needs are programed to fall relative to pre-crisis expectations, as the government has shifted about 4.2 percentage points of GDP in cash deposits from planned debt reduction to fiscal financing. Note that the IMF RFI disbursement—equal to about 3.4 percent of GDP—has not been allocated to government financing, but the Fund has approved it for budget support, should the GOJ have larger than expected funding requirements.

Looking forward, durable fiscal institutional reforms undertaken in recent years should help guide post-crisis policies and safeguard long-term sustainability. Related reforms include the development and implementation of the FRL in 2014, with quantitative targets for budgetary outcomes and debt reduction (e.g., a debt to GDP ratio of <60 percent), as well as broader improvements in processes, capacity, and legislation. This debt target has now been pushed back from 2026 to 2028 owing to the crisis, taking advantage of escape clauses built into the FRL. Should outcomes deteriorate, the framework would allow for further flexibility. Authorities have also made progress with other institutional reforms aimed at enhancing prudence, including efforts to develop an independent fiscal council, as well as reforms of the central bank that will increase its independence and insulate it from possible pressure to finance the government in future.

Despite the shock to tourism exports, the exchange rate has remained broadly stable, and the BOJ's reserves remain ample. The Minister of Finance approved a continuous medium-term inflation target band of between 4 percent and 6 percent for the Bank of Jamaica in September 2017. This shift in policy has helped to improve the transparency, predictability, and effectiveness of monetary policy, with positive implications for market conditions and expectations. Despite the shock to export receipts, the Jamaican dollar has remained broadly stable versus the US dollar and other currencies, and the BOJ has refrained from large scale intervention, leaving its reserves broadly intact. In this context, net international reserves stood at an estimated 38 weeks of next year's goods and services imports at end-May 2020 (latest available). Note that the IMF RFI disbursement—equal to US$ 520 million—is also currently being used to supplement the BOJ's externa buffers. The current account is expected to deteriorate in the near term, but recover once the shock dissipates. The shock to tourism exports will imply a deterioration of the current account over the near term, though this deterioration will be dampened by the fact that: (i) tourism also generates considerable import demand, and (ii) oil prices and demand for fuel have fallen. At present, the expectation is that the current account will deteriorate to about -7.3 percent of GDP in FY2020/21 and -4.3 percent the following year.

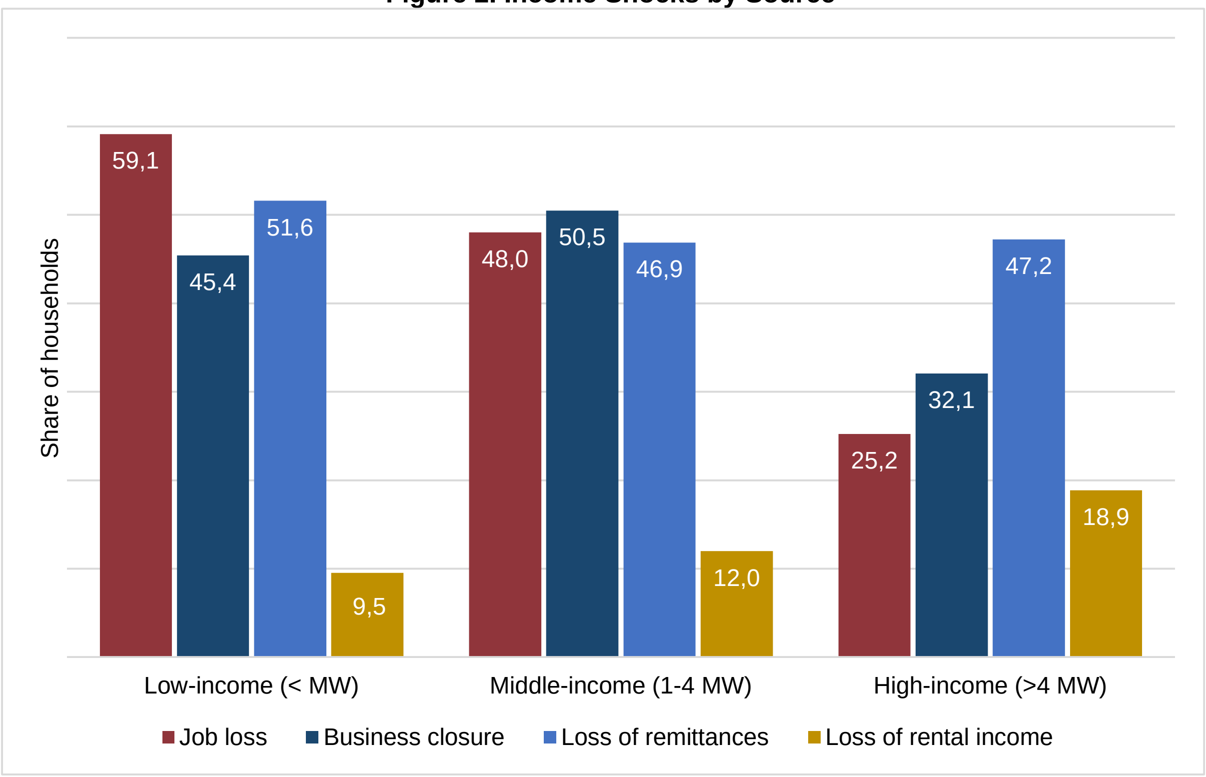
Jamaica's financial sector entered the crisis with strong capital buffers and stability indicators. Prior to the crisis, banks had been enjoying unprecedently strong domestic conditions. They had been able to build ample capital buffers (relative to regulatory requirements); displayed strong balance sheets and asset quality (e.g., low levels of non-performing loans); and, both policy and market-determined interest rates had

fallen to record lows, which coupled with declining domestic government financing requirements (from debt reduction) meant that the sector had ample liquidity. The crisis will undoubtedly affect asset quality given the large share of the economy exposed to the tourism sector, but we expect that a combination of strong initial conditions and supplemental measures taken by the central bank to support liquidity (e.g., making emergency liquidity facilities more easily available, lower reserve requirements, etc.) will help avoid a pronounced or systemic crisis.

Social Sector

The Inter-American Development Bank conducted an online survey during the second half of April. The responses from the survey for Jamaica were sobering. Nearly 60 percent of low-income households (earning less than the minimum wage) reported a job loss in the household, and even a quarter of higher income families reported a job loss as well. There was a reported decline in remittances for over half of low-income families, and nearly half of families in other income categories. Business closures have also been reportedly high across low and middle-income households. While not meeting the statistical standards of a full household survey, this online survey does provide important evidence of the extent of the social impact during the height of the lockdown.

Figure 2. Income Shocks by Source



Note: Income categories based on Pre-pandemic (January 2020) total household income vs. national minimum wage (MW).
Source: IDB online survey.

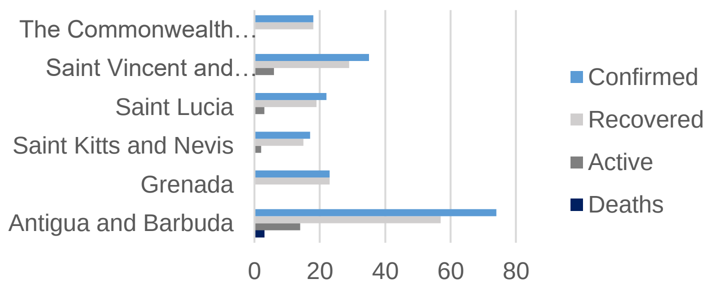
V. Organisation of Eastern Caribbean States (OECS)

Ariel McCaskie

The Outbreak and Measures

OECS countries[39] indicated a trend of flattening of the epidemiological curve. For example, Dominica recorded zero active cases for a 60-day period whereas Grenada recorded no new cases since May 28 with no active cases since June 18. This trend has been interrupted by the re-opening of borders for repatriation and international travel across the region, specifically in Antigua and Barbuda confirming 39 new cases in 24 hours. From the first confirmed positive case on March 11 to July 13, there have been a total of 189 confirmed cases and 161 recoveries with only one country, Antigua and Barbuda, recording deaths due to the Coronavirus outbreak. (Figure 1).

Figure 1: COVID-19 cases (March 11, 2020 -July 13, 2020)



Source: ECCU - Tracking COVID-19 in the ECCU, July 13,2020

OECS states have taken a collaborative approach to respond to the pandemic. Prior to COVID-19, the OECS countries were already vulnerable to health, social and economic risks, primarily stemming from external shocks. The commonalities and the potential for contagion, due to their small size, mandated a sub-regional approach to be adopted. The heads of government have committed to regional collaboration on national policy decisions that may have implications for neighboring states. On May 5, the CARICOM leaders held the "Tenth Special Emergency Meeting of Conference" to offer recommendations for a common public health policy. The draft policy will utilize existing structures of CARPHA[40] and the PAHO[41] and will work collectively with CDEMA, UWI and OECS PPS.[42]

Most countries have set strict measures to be implemented in different phases, with few implementing reopening strategies based on the risk of disease transmission, as classified by CARPHA. The sub-region has pursued containment and mitigation measures, as well as adopted

[39] Protocol members: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Lucia, St. Vincent and the Grenadines, St. Kitts and Nevis.
[40] The Caribbean Public Health Agency (CARPHA) established by the Caribbean Community (CARICOM)
[41] Pan American Health Organisation
[42] https://caricom.org/statement-tenth-special-emergency-meeting-of-the-conference-of-heads-of-government-of-the-caribbean-community-caricom-via-video-conference-5-may-2020/

contingency and preparedness plans: from expanding hospital capacity and quarantine facilities, to procuring medical supplies and training medical staff. In March 2020, strict prevention measures were adopted across these countries such as: the closure of borders to international flights and the suspension of worldwide cruise line operations. Social distancing protocols including school closures, quarantining policies, national zoning and the suspension of non-essential public and private sector operations were also implemented to slow the community spread of COVID-19 (Table 2). As of July 2020, the reopening strategies of five member states[43] have been rolled out and amid the curfew restrictions St. Kitts and Nevis was able to carry out successful elections on June 5.

An injection totaling EC$4 million (EC$500,000 each) was approved by the ECCB[44] in an effort to reduce the impact of COVID-19. Subsequently, a support program for customers and residents was also launched to assist during the period of uncertainty on March 20. The program allows options for loan repayment moratoriums for an initial period up to 6-months, waiver of late fees and charges to eligible customers and targeted supervisory flexibility. On March 27, the decision was made by the ECCB to the credit line limits for governments (by reducing those for banks), and on April 3, the discount rate was lowered from 6.5 percent to 2 percent.[45] Additionally, temporary income support measures for households and individuals were rolled out by each member state as well as the expansion of social security programs in Grenada, St. Kitts & Nevis and St. Vincent & the Grenadines.

[43] Dominica (August 7), Grenada (July 15), St. Vincent and the Grenadines (July 1), St. Lucia (June 4) and Antigua & Barbuda (June 4)

[44] Eastern Caribbean Central Bank

[45] https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#E

Table 1. Summary of Health, Social and Fiscal Measures

	Antigua	Dominica	Grenada	St. Kitts & Nevis	St. Lucia	St. Vincent & the Grenadines
Health & Safety Measures						
Curfew or lockdown	x	x	x	x	x	x
Additional funding for the health sector	x	x	x	x		x
Fiscal Measures						
Tax relief for affected sectors	x	x	x	x	x	x
Seek financing from international financial institutions	x	x	x	x	x	x
Moratorium on loans and payments				x	x	
Government assistance to local entrepreneurs (SMEs, agriculture, hygiene products	x	x	x	x	x	x
Social Measures						
Temporary income support to affected individuals/ households		x	x	x	x	x
Expansion of social safety net programs (government employment programs/ poverty alleviation programs)	x		x	x		x

Source IMF: Key Policy Responses—July 1, 2020

Economic Impact

COVID-19 has significantly impaired the economic growth prospects of the OECS member countries and emphasized pre-existing socio-economic vulnerabilities of the region. Prior to the emergence of the pandemic, these states faced slow development progress and high vulnerability to external shocks and natural disasters.[46] The high level of dependence on tourism across the OECS has stymied any anticipated growth prospects, especially given the duration of the pandemic and the social distancing measures taken thus far. In 2019, the tourism sector accounted for almost 50 percent of GDP and the total percentage of employment due to tourism dependence ranged from 60.2 percent to 34.7 percent (Table 2). The closure

[46] These shocks have been primarily the Category 5 hurricanes: Hurricane Maria, Hurricane Irma and Hurricane Ivan which hit the islands of Dominica, Antigua and Barbuda and Grenada, respectively.

of the borders, and the implementation of lockdowns have also led to lower consumption levels. The combined effect of the halt of economic activity has exacerbated fiscal and macroeconomic challenges in the sub-region with ripple effects across other sectors. Real GDP growth is projected to sharply decline by an average of 7.1% compared to the pre-crisis forecast of 3.3 percent. Subdued economic activity is also increasing unemployment levels, which were already high before COVID-19.[47]

Table 2. Tourism Dependence in The OECS

Country	*Contribution to GDP (2019), %*		*Share of Employment, (2019), %*		*Tourism Receipts, %*
	Direct	Total	Direct	Total	Share of Exports
Antigua and Barbuda	12.3	44.7	12.3	44.7	37.8
Dominica	12.5	38.0	11.3	34.7	46.0
Grenada	19.0	55.8	17.8	51.6	26.9
Saint Lucia	16.0	43.0	16.0	43.0	46.9
St. Vincent and the Grenadines	13.8	46.2	12.9	42.7	39.9
St. Kitts and Nevis	19.1	62.6	19.0	60.2	31.9

Source: World Travel & Tourism Council

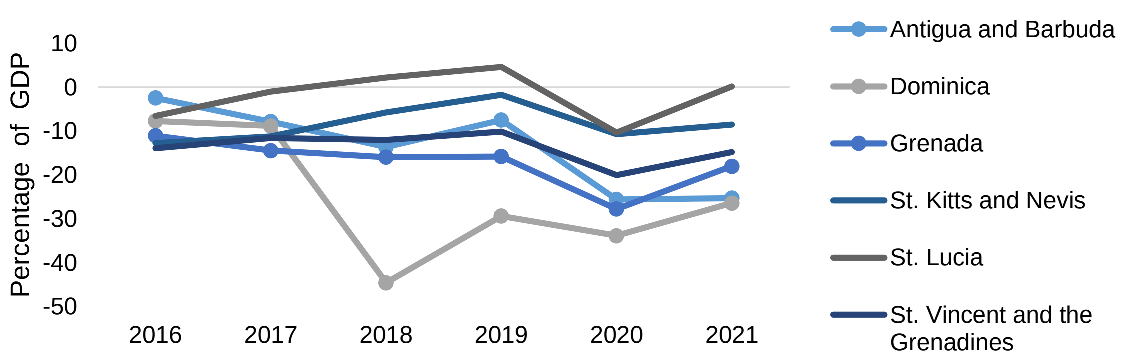
The decline in real economic activity will negatively impact the fiscal position of each territory. The region is at risk of compromising the existing fiscal sustainability.[48] In response to the crisis, fiscal packages ranging from 0.5 to 4 percent of GDP have been approved in Antigua & Barbuda, St. Kitts & Nevis and St. Lucia to increase health spending and provide tax relief.[49] There were extra-budgetary demands to cover unexpected expenditures on containment measures, treatment facilities and to expand social sector support. The average primary fiscal balance of the OECS economies is expected to worsen from -0.1 percent of GDP in 2019 to -3.5 percent of GDP in 2020.

[47] Pre-pandemic unemployment rates: Grenada 29%; Saint Lucia 21%; Saint Kitts & Nevis 2%; St. Vincent & the Grenadines 20%. (Source: "The Socio-Economic Impact of COVID-19 On Children and Young People in the Eastern Caribbean Area", UNICEF)
[48] Risk identified as medium given the region's vulnerability to economic shocks, negatively impacts the economic growth and fiscal position of the OECS countries. The average Debt to GDP ratio is below 70 percent thus providing scope to borrow by the local governments. The state of affairs in each country must be closely monitored by keeping measures in place to minimize the severity.
[49] Key Policy Responses – IMF, July 1, 2020.

Falling revenues are being met by debt-led financing strategies. Debt-to-GDP ratios[50] have increased from an average of 70.3 percent of GDP in 2019 percent to a projected 79.1 percent of GDP in 2020. In response to the COVID-19 pandemic, the OECS countries have procured funding from multiple multilateral organizations. The Caribbean Development Bank (CDB) has provided financing of EC$263.8m and have approved several projects: grants for personal protective equipment purchase (US$3m)[51], social sector support, MSMEs and agriculture (US$25m), debt service/liquidity support (US$94m), policy-based loan support (US$140m) and repurposing of undisbursed balances (US$30m). The IMF has recently approved Rapid Credit instruments of EC$291.4m and the World Bank has provided a fast track/policy development loan of EC$212.3m. Additionally, the United Nations launched a joint initiative on May 6 of a COVID-19 Multi-sectoral Response Plan and US$29.7 million Funding Appeal.[52]

The region will experience a worse external balance due to COVID-19. The OECS is experiencing a substantial widening of the external current account deficit ranging from an average of -10 percent of GDP in 2019 to a projected -21.4 in percent of GDP in 2020 (Figure 2). This was the largest annual percentage change in deficit recorded in the last five years, with Grenada and Antigua and Barbuda projecting the most significant widenings. The current account deficit is also projected to remain above -10 percent of GDP in 2021. Remittances will also be severely impacted by the economic impact of COVID-19 in source markets. The USA accounts for nearly 50 percent of all remittances received throughout the member states and also accounts for 7 percent of GDP in the Caribbean.

Figure 2. External Current Account Deficit (2016-2021)



Source: International Monetary Fund

[50] Debt to GDP ratios (2019 to 2020): Antigua and Barbuda 82.0% to 92.9%; Dominica 87.6% to 89.6%; Grenada 59.1% to 68.7%; Saint Kitts and Nevis 62.8% to 74.7%; Saint Lucia 62.8% to 74.7%; St. Vincent & the Grenadines 74.6% to 84.4%. (Source: MOF, CDB Estimates and Projections).

[51] 1USD=2.70252XCD https://www.xe.com/currencyconverter/convert/?Amount=1&From=USD&To=XCD

[52] https://www.unicef.org/easterncaribbean/press-releases/un-barbados-and-oecs-supports-eastern-caribbean-governments-social-protection

The foreign reserves of the currency union stood strong with a backing[53] of 99.7 per cent at the end of 2019.[54] However, the COVID-19 shock has resulted in a reduction in income on the reserves due to lower interest rates by the Federal Reserve as the ECCB invests on the international market in various types of instruments including derivatives. Foreign exchange reserves will be the benchmark macroeconomic variable against which any economic support that governments or the monetary authorities implement during and after the crisis. The Citizenship-by-Investment programs, which have been an important revenue source of foreign direct investment, are at risk of falling as investors lose confidence during times of uncertainty. This would erode the foreign exchange earning capacity of the OECS.

The socioeconomic progress of the region has been undermined by the unexpected decline in economic activity. The effects of the pandemic threaten the vulnerable population. The vulnerable population is identified as those persons living in poverty, indigenous groups and the workforce in the informal sector who are the most affected during this crisis. The official poverty rates[55] in the OECS region varied from 18 to 38 percent, prior to the pandemic. Grenada's poverty rate was the highest in the region at 37.7%, followed by Montserrat (35.5%) and St. Vincent and the Grenadines (30.2%). Saint Lucia's poverty rate stood at 28.8% which is the ECA average of 24.5%.[56] The fallout of the COVID-19 outbreak is increasing poverty levels and worsening the living conditions of the vulnerable. For example, in Dominica, the indigenous group known as the Kalinago are likely to experience significant reductions in income levels due to the hit on the tourism sector. The Kalinago accounts for 4% of the country's total population and tourism is the largest contributor to their livelihood.[57]

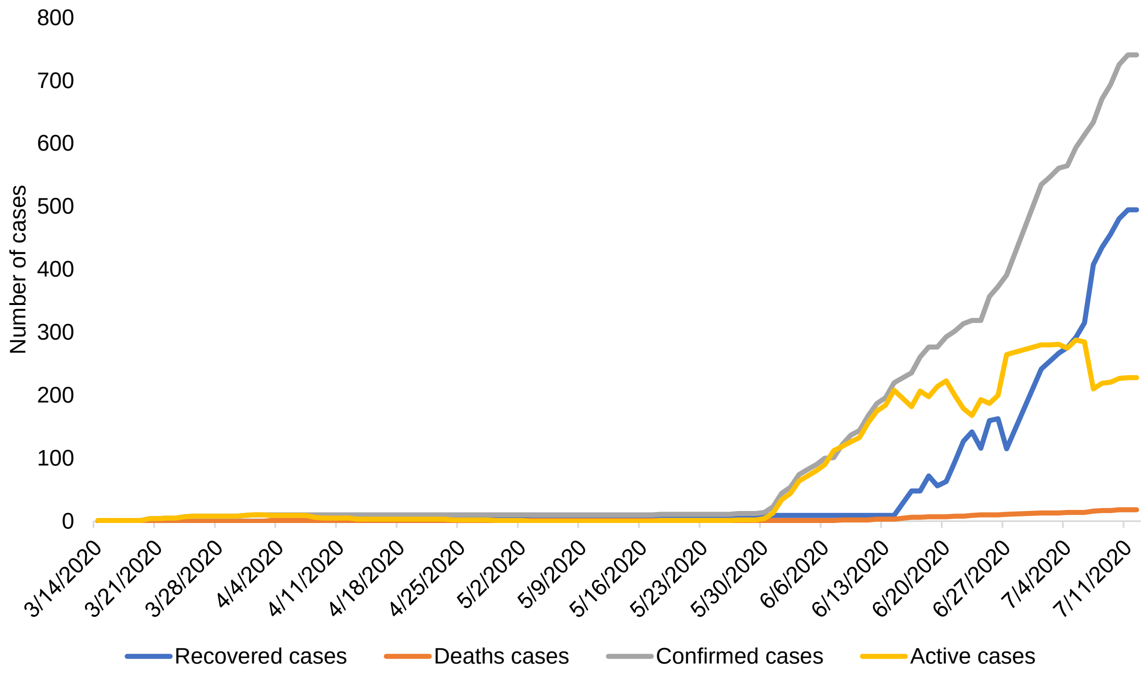
[53] A nation's backup funds in case of an emergency such as a rapid devaluation of the currency. The ECCB requires a backing ratio of 60 percent.
[54] https://pressroom.oecs.org/communique-special-meeting-of-the-oecs-authority-and-the-monetary-council
[55] The poverty rate is the ratio of the number of people (using each country's national poverty line) whose income falls below the poverty line; taken as half the median household income of the total population.
[56] Data from the 2017 Child Poverty Report in the Eastern Caribbean Area (ECA)
[57] COVID-19 and Beyond Impact Assessment and Responses by the OECS. May 1, 2020

VI. Suriname

Jeetendra Khadan

Suriname confirmed its first imported Covid-19 case on March 13, 2020. As of July 12, the authorities confirmed a total of 741 cases, active cases are currently at 228 with 18 COVID-19 related deaths, 495 recovered, and 166 persons in quarantine. Suriname, although flattening the curve and reporting a short period (roughly two weeks) of no active Covid-19 cases, is now along a path of exponential growth in Covid-19 cases (Figure 1).[58] The rate of Covid-19 tests performed is improving, currently a total of 1,244 tests performed (or 2,120 tests per million population) but remains lower that it's regional counterparts: Guyana's (4,134 tests per million population), 9,528 tests per million for Jamaica, 4,147 tests per million for Trinidad and Tobago and 30,739 tests per million for Barbados.[59]

Figure 1. Covid-19 cases in Suriname



Due to the recent spike in Covid-19 cases, the authorities strengthened social distancing measures and lockdowns. On June 3, the government announced a total lockdown of the country from June 8 for a

[58] This occurred after the country started to gradually lift social distancing restrictions in the lead up to the May 25 national elections.
[59] See https://www.worldometers.info/coronavirus/

period of two weeks. The specific measures include: (i) restrictions on leaving home; (ii) public gatherings are restricted to a maximum of 5 people; (iii) all non-essential companies are closed; (iv) the borders via land, water and air remain closed; and (v) private cars and taxis are allowed to have a maximum of 2 occupants. Meanwhile, the Ministry of Trade, Industry and Tourism has also provided strict guidelines for companies that are open. After June 21, some restrictions were relaxed while maintaining strict sanitary measures.

Economic Shock

Suriname is experiencing its second major shock within a six year period. The country's economy went into a deep recession in 2015 following a sharp decline in the price of its main export commodities (gold and oil) and cessation of alumina production. The country's economy has not recovered from the 2015 recession. As a consequence, Suriname is facing the ongoing COVID-19 pandemic with inadequate fiscal buffers, large twin deficits (fiscal and current account), low growth, high debt levels, low international reserves and a large disequilibrium in the foreign exchange market. Suriname was downgraded with a negative outlook by Fitch, Moody's and Standard and Poor's in the first half of 2020. Suriname also announced successful results of Consent Solicitation for a new repayment schedule relating to its 9.875 percent Notes due 2023.[60]

The ongoing COVID-19 shock would mostly impact economic growth through commodity prices and the partial lockdown of the domestic economy. Suriname's economy is heavily dependent on mining and oil sectors which together accounts for about 20.6 percent of GDP. On one hand, crude oil prices have declined by almost 51 percent in the first quarter of 2020 and are expected to remain low for the rest of the year, negatively impacting growth. However, gold which accounts for a relatively large share of GDP (15 percent) will help to partially offset the decline as gold prices have increased by 14 percent over the same period. The service sectors (wholesale and retail, transportation, hotels and restaurants etc.) account for 49 percent of Suriname's GDP. The service sectors are adversely affected by ongoing COVID-19 related lockdowns. Taking into account these shocks, the IMF is projecting that real GDP would contract by at least 5 percent in 2020.

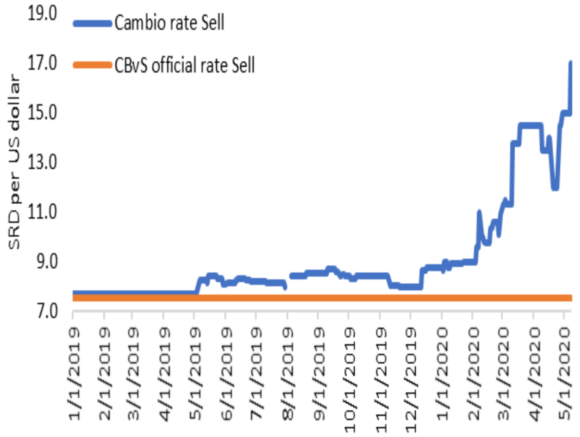
Potential job and income losses are expected to be relatively large. Although data on job or income losses due to Covid-19 is not yet available, preliminary data from a recent online socioeconomic survey carried out by the Inter-American Development Bank shows a larger prevalence of job losses in households that earned below the minimum wage. Moreover, data from the 2017 Survey of Living Conditions shows that vulnerable sectors such as hotel and restaurants, retail, transportation, and construction account for more than 72 percent of permanent full-time private sector employee, implying that temporary job losses could be large (see Khadan, 2020).[61]

The parallel market exchange rate premium is contributing to higher inflation. There has been an acute shortage of dollars in the domestic economy in recent years. As a result, the parallel market exchange rate has been increasing since 2019. As of May 2020, the parallel market premium was estimated to be 125 percent. The inflation rate at the end of May 2020 inflation rate increased to 31.6 percent from 4.2

[60] See https://www.bourse.lu/issuer/Suriname/83360
[61] See https://publications.iadb.org/en/covid-19-socioeconomic-implications-on-suriname

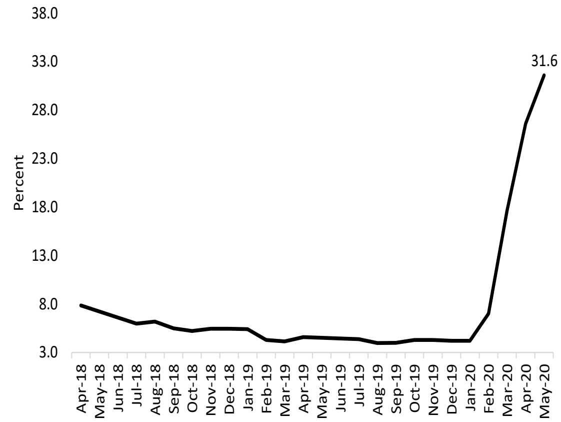
percent at the end of 2019 (year on year, Figure 2). There were noticeable increases in the sub-components related to transportation, alcoholic beverages and tobacco, and household furnishings. This is mostly related to the large parallel exchange rate market premium—firms are already increasing their prices to reflect the parallel market exchange rate.

Figure. 1 Exchange rates



Source: Central Bank of Suriname and IDB staff estimates.

Figure 2. Inflation (percent)



Source: General Bureau of Statistics, Suriname.

Interest rates in local currency have remained relatively stable. The average deposit interest rate in SRD decreased from 9.1 percent in March 2019 to 8.6 percent in March 2020. The average lending rate increased to 14.9 percent from 15.2 percent over the same period. There were marginal changes in lending and deposit rates in U.S. dollars and Euros: the lending rate for US dollars slightly increased from 8.1 percent in March 2019 to 8.6 percent March 2020 while the deposit rate fell from 2.9 percent to 2.7 percent over the same period; the lending rate for Euro dollars increased from 8.2 percent in March 2019 to 8.4 percent in March 2020 and the deposit rate fell from 0.5 percent to 0.4 percent over the same period.

Private sector credit could improve on account of a more accommodative monetary stance. Private sector credit declined from 38.1 percent of GDP in 2016 to 24.3 percent of GDP in 2019. Data from the CBvS show that while credit to the private sector in local currency (SRD) increased by 18 percent in March 2020 (year on year), credit in U.S. dollars and Euros declined by 9.5 percent and 6.3 percent, respectively, over the same period. In May 2020, the CBvS temporarily lowered the local currency cash reserve requirement from 35 percent to 27.5 percent. This measure will enable commercial banks to provide new short-term loans to private sector companies and to individuals affected by the COVID-19 pandemic at a proposed interest rate of 7.5 percent, which is significantly lower than the current market interest rate. The CBvS is also discussing with commercial banks the feasibility of granting 3 to 6 months deferral of payments to companies and individuals who are affected by the COVID-19 pandemic.

External sector performance

Preliminary data shows a marginal improvement in the current account balance in the first quarter of 2020. The current account balance slightly improved in the first quarter of 2020 to US$39 million from a deficit of US$10.7 million in 2019 Q1. The improvement in the current account balance in the first quarter was related to an improvement in goods exports, particularly mining: gold exports increased by 14 percent year on year compared to 2019 Q1. There was also marginal increase in non-mining exports, due mostly to rice exports and a 2 percent decline in imports for the same period. Foreign direct investment fell from a high of 9.6 percent of GDP in 2016 to 0.2 percent of GDP in 2019 and continued to decline in the first quarter of 2020 following the completion of the investments in the mining sector. The portfolio investment balance slightly worsened to US$-3.4 million in 2020 Q1, from 4.3 million in 2019 Q1 (see Figures 4 and 5).

Figure. 4 Current account balance

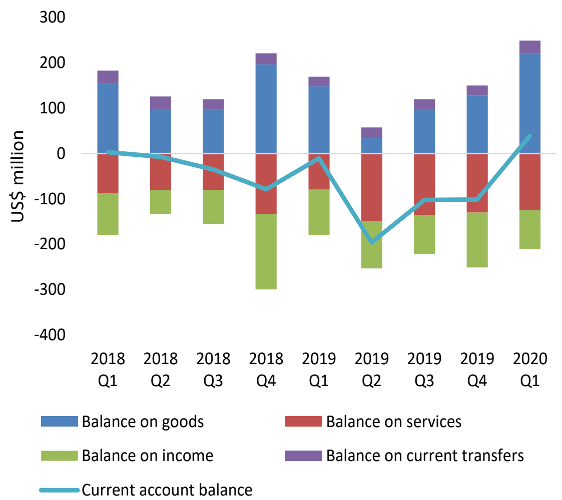
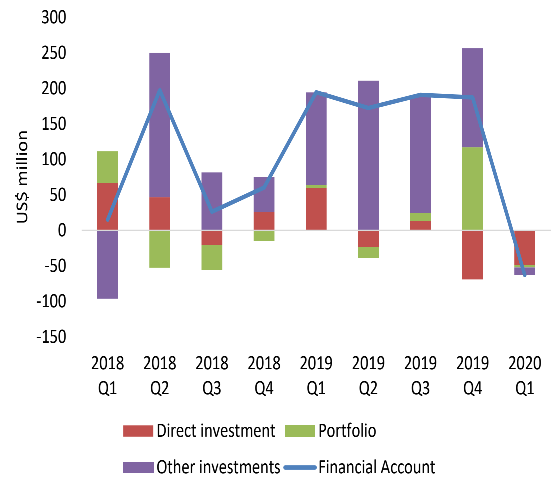


Figure 5. Financial account



Source: Central bank of Suriname

Social Sector

On the social response, the authorities established a SRD400 million Emergency Fund to finance social support measures including housing related expenses. A separate SRD300 million Production Fund was established to support small and medium-sized enterprises. The Emergency Funds will manage both national and international resources obtained for tackling the pandemic.[62] Both funds will be financed by International Financial Institutions (IFIs) such as the World Bank, Inter-American Development Bank, Islamic Development Bank, Caribbean Development Bank and the domestic market. Social support measures for vulnerable groups have been announced for a period of six months. The government has increased the allowance for child support, old age provision, retirees (no previous government support),

[62] See http://www.dna.sr/nieuws/wet-uitzonderingstoestand-covid-19-goedgekeurd/

persons with disabilities, “weak households”, unemployment benefits for persons who have lost their income of jobs due to Covid-19 restrictions and social assistance benefits. The Emergency Fund will contribute approximately SRD 50 million to a Housing Fund. The target groups are those who do not have their own home or are not able to pay rent. A maximum of SRD 100,000 per loan can be provided with a grace period of 6 months.

VII. Trinidad and Tobago

Lodewijk Smets

Reopening measures

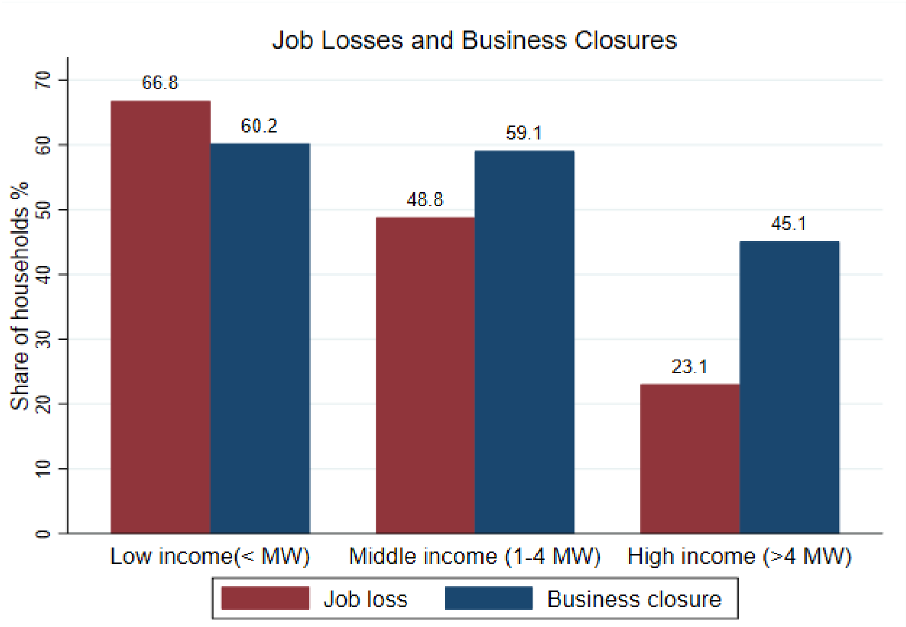
The government is taking a phased approach to reopening the economy. On May 8th, the Prime minister announced the rollback of COVID-19 restrictions, which is taking place in 6 phases. The first phase started on May 10, with the reopening of food establishments (no dine-in services) and the reviving of restricted outdoor activities. Phase 2 saw the reopening of the manufacturing and construction sector, while in Phase 3 the public sector returned to work on a rotational basis. In phase 4 houses of worship and service providers like hair-dressers were allowed to reopen. On June 22, the country entered in phase 5 of the reopening strategy. Beaches and malls are now open to the public, as well as all of business. Groups of up to 25 persons are allowed to congregate. The borders, however, remain closed until further notice.

Economic shock and social impact

Recent, high-frequency unemployment data are unfortunately lacking, so it is not straightforward to estimate the employment impacts of the COVID-19 crisis. Indications are, however, that the labor market in Trinidad and Tobago has been severely affected, especially for lower-income households. A recent online survey organized by the IDB in collaboration with Cornell University indicates that 68 percent of low-income survey participants suffered a job loss. For high-income households, only 23 percent lost their job (see figure 1).[63] Figure 1 also indicates significant business closures due to the COVID-19 crisis. Relatedly, also labor supply is heavily affected. Over the period January-May 2020 only 180 daily vacancy announcements were advertised in the non-energy sector, almost half compared to the period January-May 2019, when 340 daily advertisements were recorded (Central Bank, 2020).

[63] For more detail see Bottan et al, 2020. IDB/Cornell Coronavirus Survey: Methodological Notes. Technical Note IDB-TN-1936. Inter-American Development Bank: Washington, D.C.

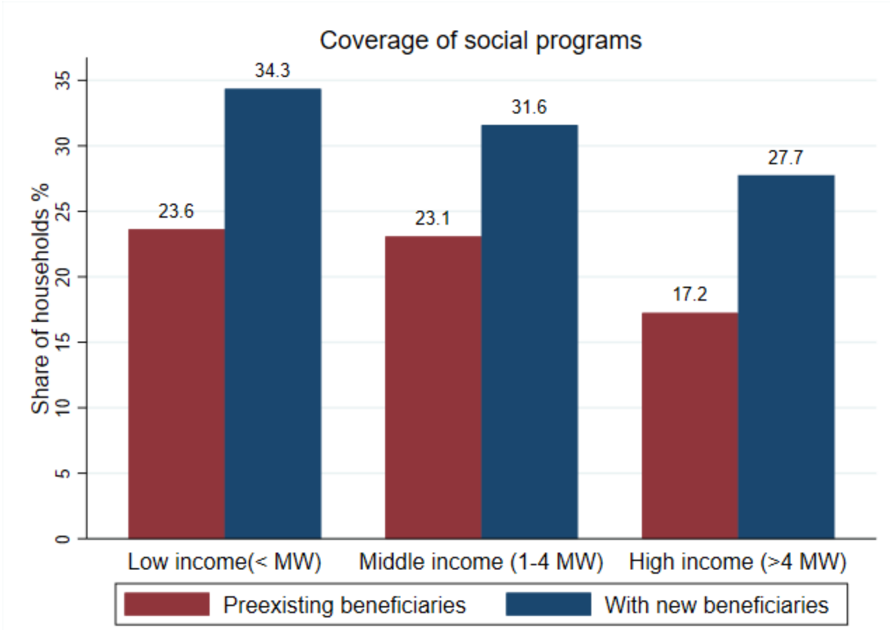
Figure 1: Job losses and business closures



Source: IDB COVID-19 survey

To respond to the COVID-19 crisis, the government put several measures in place to protect households from the negative economic impacts, including the distribution of food cards, a salary relief grant for the unemployed and rental assistance. The survey indicates that the coverage of such social programs has clearly expanded (see Figure 2), thus providing a cushion for affected households. Figure 2, however, also shows the potential to improve targeting, as also middle and high-income households received social benefits. At the macro-fiscal level, expenditures have shifted towards COVID-19 priority areas, but overall expenditures for the current fiscal year are expected to remain flat. As the authorities have kept taxation levels in place, only limited fiscal stimulus is provided to the economy.

Figure 2: coverage of social programs



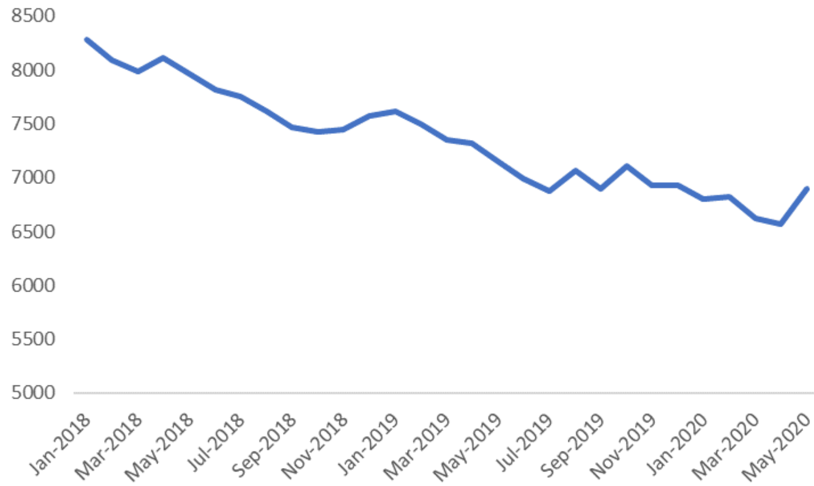
Source: IDB COVID-19 survey

The COVID-19 crisis also caused an unprecedented drop in oil and gas prices. From January to April, crude oil prices decreased by almost USD 41 per barrel, a decline of nearly 71 per cent. Natural gas prices dropped by 14.3 per cent over the same period, reflecting the weak demand due to the combination of the pandemic with mild weather conditions in importing countries. In May, crude oil prices recovered following a drop below zero,[64] but prices remain far below pre-pandemic levels (As of June 22, WTI is trading at 40 USD/barrel while the natural gas price is 1.71 USD/mmBTU). The increased uncertainty in the energy sector also led to the (temporary) closing of a number of downstream petrochemical plants. Furthermore, major oil and gas companies are engaging in cost-cutting measures, which may have implications for Trinidad and Tobago's service sector.

The above developments will reduce the export value of energy exports, with negative implications for the country's current account. For instance, in October 2019—pre-pandemic—the IMF estimated Trinidad and Tobago would run a surplus on the current account of USD 400 million. In April 2020, however, the IMF is estimating a current account deficit of about USD 725 million. This may put additional pressure on the foreign reserves, which reached a 13-year low point in March 2020 (corresponding to 7.5 months of import cover). Since then reserves have increased due to incoming external financing and a USD 400 million withdrawal from the Heritage and Stabilization Fund. As of May 2020, official reserves stood at USD 6.8 billion, which corresponds to 8 months of import cover.

[64] The WTI May 2020 oil futures turned negative on April 20th as fears arose that oil storage capacity in the US was running out.

Figure 3: Foreign reserves



The COVID-19 crisis will likely have medium-term economic consequences, which could involve sluggish economic growth, increased unemployment, rising public debt and sustained pressure on the country's external accounts. While Trinidad and Tobago has substantial financial buffers—the Heritage and Stabilization Fund, large public sector assets, liquid sinking funds—to maintain macroeconomic stability in the short term, these policies are no longer affordable in the medium term. Engaging in economic diversification, enhancing the ease of doing business, improving public sector governance, mobilizing non-energy revenue and streamlining government expenditures will be required going forward. At the same time there is a need to protect the poor and vulnerable from the negative economic consequences of the COVID-19 crisis.

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