



CARIBBEAN
Quarterly
BULLETIN

2020:1

Caribbean economies
in the time of
the coronavirus





CONTENTS

PART 1. CARIBBEAN ECONOMIES IN THE TIME OF THE CORONAVIRUS	1
<i>Henry Mooney, David Rosenblatt, and María Alejandra Zegarra</i>	1
Introduction	1
Job 1: Stopping the Spread of the Coronavirus	2
External Shocks: A Tale of Tourism and Commodities	3
Shocks to Tourism Flows	3
Historical Shocks to the Tourism Sector in Caribbean Countries	3
Shock Scenarios and Simulations	5
Shocks to Commodity-Dependent Economies	7
Finance	8
Government Finance	9
Private Sector Finance	9
Balance of Payments Financing	9
Putting It All Together: Economic Growth in 2020	13
Tourism-Dependent Economies	13
Commodity Exporters	14
Domestic Factors	15
A Synchronized Contraction Across Caribbean Countries?	15
Policy Options	16
PART 2. COVID-19 UPDATE: COUNTRY SUMMARIES	18
THE BAHAMAS	18
<i>Laura Giles Álvarez</i>	18
The Coronavirus Outbreak and Government Actions to Prevent Transmission	18
Economic Growth Prospects: Then and Now	18
Government Policy Response	20
BARBADOS	21
<i>Laura Giles Álvarez</i>	21
The Coronavirus Outbreak and Government Actions to Prevent Transmission	21
Economic Growth Prospects: Then and Now	21
Government Policy Response	22
GUYANA	24
<i>Victor Gauto</i>	24
The Coronavirus Outbreak and the Government Response to Prevent Transmission	24
Economic Growth Prospects: Then and Now	24
Government Policy Response	25
JAMAICA	26
<i>Henry Mooney and Jason Christie</i>	26
The Coronavirus and Government Actions to Prevent Transmission	26
Economic Growth Prospects: Then and Now	26
Government Policy Response	28
SURINAME	29
<i>Jeetendra Khadan</i>	29
The Coronavirus Outbreak and Government Actions to Prevent Transmission	29
Economic Growth Prospects: Then and Now	29
Government Policy Response	30
TRINIDAD AND TOBAGO	32
<i>Lode Smets</i>	32
The Coronavirus Outbreak and Government Actions to Prevent Transmission	32
Economic Growth Prospects: Then and Now	33



PART 1. CARIBBEAN ECONOMIES IN THE TIME OF THE CORONAVIRUS

Henry Mooney, David Rosenblatt, and María Alejandra Zegarra

Introduction

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.¹ 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, as well as 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.

From an economic perspective, the analysis identifies two broad challenges:

- *The domestic economic impact of social distancing measures.* As necessary as these measures are, it is extremely difficult to foresee the direct economic impact from lost revenue, employment, and productivity in the “face-to-face” service sector.² Naturally that impact will depend upon the duration of these measures. It will also depend upon complementary actions in the public health sector and other areas to “flatten the curve” and avoid the exponential growth of cases.
- *External shocks from a combination of supply and demand factors.* First, tourism is arguably the sector most affected globally by the coronavirus. Other sectors clearly are experiencing stress in supply chains, but the global tourism industry is experiencing an unprecedented shock. Even if the travel restrictions can be removed safely, if the world is in recession, tourism will continue to be affected. Second, a combination of factors is contributing to low oil and gas prices, geopolitical on the supply side, combined with the sharp slowdown in large economies, on the demand side. Third, gold is a leading export for Guyana and Suriname. The price of gold tends to increase during periods of global financial stress, but it also becomes more volatile. On the side of imports, disruptions in transport and global supply chains might limit access to key basic goods, including food, and both intermediate and capital goods required for production and investment. Finally, risk aversion and financial turbulence make it more difficult for Caribbean countries to access external finance at a reasonable cost.

In brief, on the domestic front, there are many challenges posed by social distancing that demand a policy response to ameliorate the impact. On the external front, the story is primarily one of tourism and commodities, and the evolution of these sectors will shape macroeconomic policy over the coming months. Policies will also be influenced by the incipient global recession.

This special edition of the *Quarterly Bulletin* is not intended as a definitive analysis of this fast-moving situation. Rather, it outlines the key transmission channels for the ongoing crisis and the broad policy options facing policymakers. One area highlighted in considerable detail is tourism, though there is also a focus on several other areas, including a variety of macroeconomic modeling exercises and attempts to

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.

² For an interesting perspective on this issue, see Reinhart (2020).



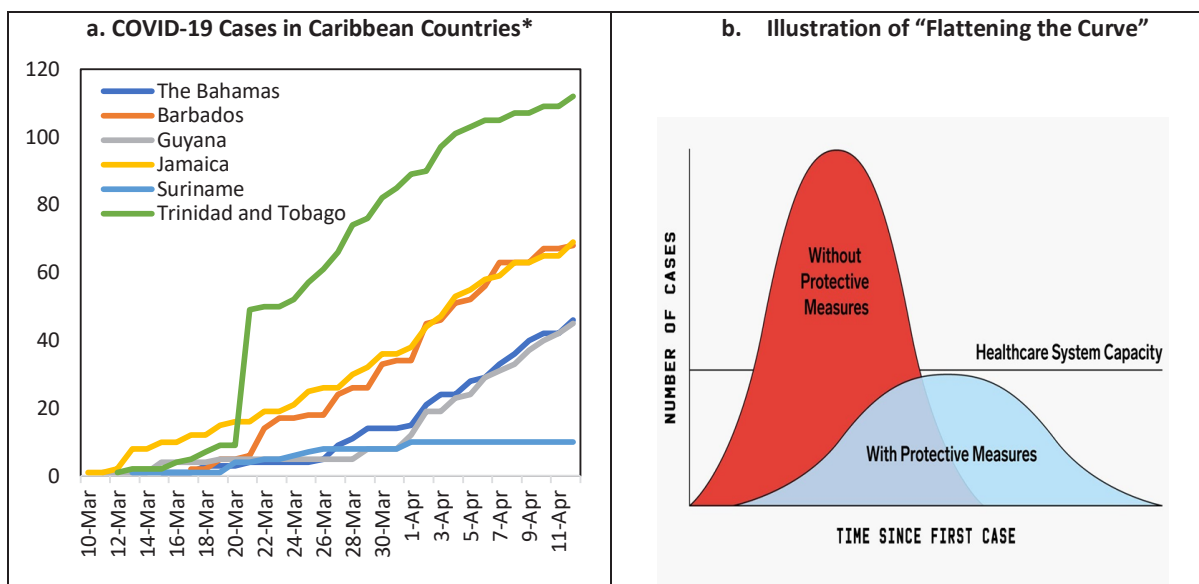
assess the effects of the crisis at the household level. We will be providing more detailed analysis in forthcoming publications over the coming weeks and months, as this urgent work program progresses.

Job 1: Stopping the Spread of the Coronavirus

As of April 12, 350 cases had been reported in the six Caribbean countries examined here (Figure 1, panel 1). The domestic economic impact directly related to the disease is very difficult to predict, and obviously it depends on the direct measures under way in each country to combat the spread. Face-to-face service sectors are experiencing a sharp decline as businesses are ordered closed and consumers are required to stay at home. Both supply and demand are effectively shut down. In tourism-dependent economies, this exacerbates the decline in tourism arrivals, while in commodity-dependent economies, this amplifies the impact of the decline of commodity prices on government revenues. Creative solutions through technology can help, ranging from safe prepared food delivery to virtual legal advice, online education, and a host of other possibilities. Still, the short-term impact is severe.

Social distancing measures are obviously necessary to save lives, which is the most important priority for governments all around the world. From an economic perspective, people represent a valuable economic asset. If these economies can emerge from the immediate crisis with their human capital stock intact, then long-term economic growth will still be viable. This human capital stock has an economic value that is multiples of the value of annual GDP.

Figure 1. Spread of the Coronavirus Virus in Caribbean Countries



Sources: Economist Intelligence Unit; Johns Hopkins Center for Health Security; Johns Hopkins University database; and IDB country office reports.

Note: *Reported cases as of April 12, 2020.

The key to saving lives and the associated human capital they bring to economies is to “flatten the curve” in terms of avoiding an exponential infection rate, which could overwhelm national health systems (Figure 1, panel b). The region is still in the early stages of the virus, and the numbers are still small, even relative to the small populations of the Caribbean countries, but the curve is not flattening yet.



External Shocks: A Tale of Tourism and Commodities

As noted in the introduction, the impact of this crisis for individual economies will differ depending on the structure of the economy (e.g., dependence on tourism vs. commodity exporter) and the transmission channels through which the shock propagates. Key direct external channels include physical and financial linkages with the rest of the world. In general, the two most significant conduits for shock transmission will include international trade (including goods and services trade) and financial flows. For the Caribbean countries, both channels are significant, particularly the trade channel, which includes the two most important sectors for Caribbean economies—tourism and commodities exports.

Shocks to Tourism Flows

Some Caribbean economies are among the most tourism-dependent in the world. Tourism accounts for between 11 and 19 percent of direct output (GDP), and between 34 and 48 percent of total GDP in The Bahamas, Barbados, and Jamaica (Table 1). Tourism flows are also responsible for similarly large shares of direct and overall national employment, with all three countries ranking in the top 20 globally on both measures. Related receipts are also equal to over half of total exports of goods and services for these three countries. Cruise ship tourism—already heavily affected by the crisis—also represents a very large proportion of total tourist arrivals for both The Bahamas and Jamaica—77 and 42 percent, respectively. In the other Caribbean countries, tourism has a much smaller, but still not insignificant, role in their respective economies.

Table 1. Tourism Dependence of Caribbean Countries

	Contribution to GDP*		Share of Employment*		Tourism Receipts*		Tourism Arrivals**		
	Direct	Total	Direct	Total	Share of Exports		Total Arrivals	Air	Cruise
	(Percent)		(Percent of total employment)		(Percent of total)	Percent of GDP	(Number)	(Percent of arrivals)	(Percent of arrivals)
The Bahamas	19.2	48.3	26.5	56.2	77.2	27.2	6,622,015	23.5	76.5
Barbados	13.1	41.2	13.7	41.3	52.1	21.9	839,845	80.9	19.1
Guyana	2.7	7.0	2.9	7.4	1.8	0.7	287,000	100.0	na
Jamaica	10.5	33.7	9.4	30.5	53.4	19.7	4,330,239	57.4	42.6
Suriname	1.3	2.8	1.2	2.7	3.2	2.0	278,000***	100.0	na
Trinidad and Tobago	2.8	7.8	3.7	9.9	4.9	2.3	466,889****	80.3	19.7

Source: Authors' calculations based on data from The Bahamas: Tourism Today Report; Barbados: Department of Statistics; Jamaica: Central Bank of Jamaica and Jamaica Tourist Board; World Bank/World Travel and Tourism Council; and Caribbean central banks.
Notes: na: not available. * Data for 2018 or 2019. ** Includes foreign nationals and non-residents. *** Data for 2017. **** Only 2018.

Historical Shocks to the Tourism Sector in Caribbean Countries

The significance of the sector for tourism-dependent economies is clear. The potential implications of the current crisis are, however, more difficult to determine. As a first step, we created a new database for both air and cruise passenger arrivals going back as far as January 2000. Based on these data, we calculate that annual tourism arrivals increased appreciably from 2000 through 2019 for The Bahamas, Barbados, and Jamaica—by 73 percent, 37 percent, and 91 percent, respectively.

In considering the potential implications of the COVID-19 crisis on the Caribbean economies, it is important to determine whether we can look to historical precedents as examples (Table 2). There have been several shocks over the past two decades that are likely to have affected either global demand for tourism, or the ability of passengers to reach the region. In this context, we identified six episodes since



2000 worthy of closer scrutiny: (1) the 9/11 attacks (September 2001); (2) the Severe Acute Respiratory Syndrome (SARS) outbreak (November 2002 to July 2003); (3) the global financial crisis (December 2007 to June 2009); (4) the 2009 flu pandemic (H1N1) (January 2009 to August 2010); (5) the Ebola outbreak (December 2013 to June 2016); and (6) the Zika outbreak (April 2015 to November 2016). While these six shock episodes differ in their nature, origin, and duration, they all had some effect on global travel and tourism flows. It is also true that in some cases, these episodes unfolded over relatively long periods—in some cases over several years—suggesting that other unrelated factors may also have had some influence on tourism arrivals to Caribbean countries during the same period, including economic issues, natural phenomena, and/or geopolitical factors.

Table 2. Historical Precedents? Shocks to Tourism Arrivals in Caribbean Countries

Event	Type	Start	End
9/11 attacks and aftermath	Terrorism	September 2001	September 2001
SARS outbreak	Epidemiological	November 2002	July 2003
Global financial crisis	Financial/Economic crisis	December 2007	June 2009
2009 flu pandemic (H1N1)	Epidemiological	January 2009	August 2010
Ebola outbreak	Epidemiological	December 2013	June 2016
Zika virus outbreak	Epidemiological	April 2015	November 2016

Source: Prepared by the authors.

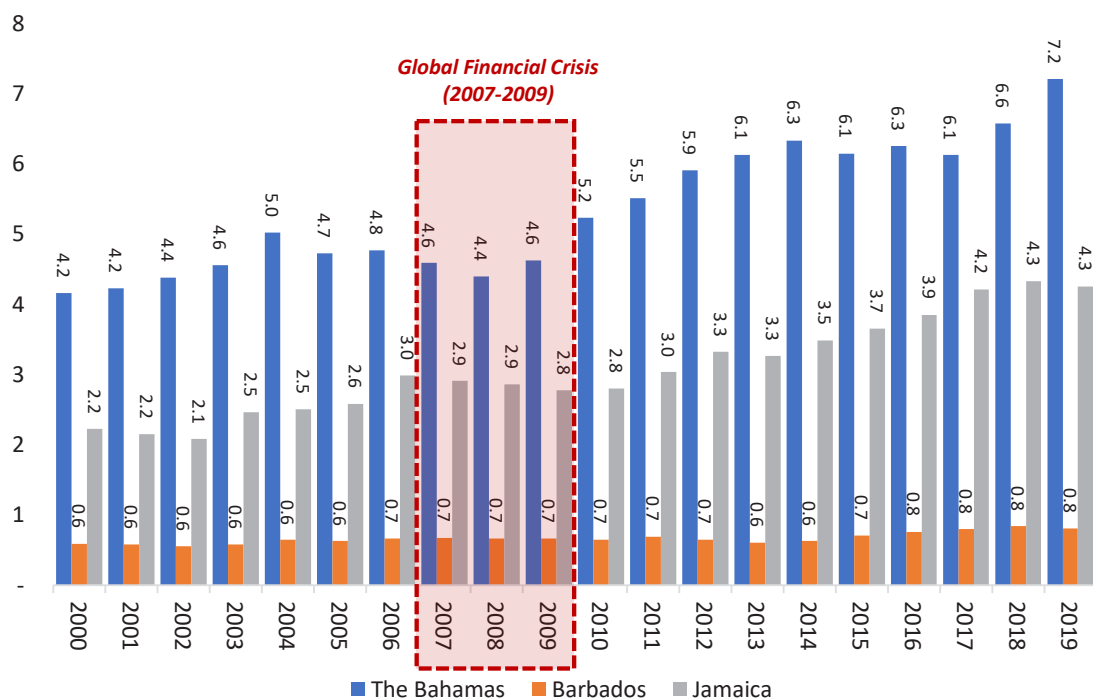
Notes: Other phenomena that occurred during these periods may also have had implications for tourism. na: not available.

A review of these shock episodes relative to arrivals reveals that an appreciable decline in tourism for all three tourism-dependent economies in the region simultaneously was only observed during one of these six shock horizons—the global financial crisis.³ After year-on-year growth in tourism for The Bahamas, Barbados, and Jamaica in 2006, all three countries saw reductions in arrivals at some point from 2007 through 2009 (Figure 2). These declines were matched by contractions in GDP for each of the countries.

³ It is true, however, that there has been some variation for individual countries over other periods—for example, a deceleration of recorded arrivals to The Bahamas between 2013 and 2016.



Figure 2. Historical Precedents? Shocks to Tourism Arrivals in Caribbean Countries
(Millions of tourism arrivals per year)



Source: Authors' calculations based on data from The Bahamas: Tourism Today Report; Barbados: Department of Statistics; and Jamaica: Central Bank of Jamaica and Jamaica Tourist Board.

Note: Shaded area intended to highlight the decline that occurred following the financial crisis.

In terms of how the financial crisis and other periods of decline over the past two decades compare to the current situation, it is difficult to draw parallels. A review of tourism arrivals (both air and cruise arrivals) between 2000 and 2019 for all three Caribbean countries reveals that the largest single-year reduction was about 6 percent relative to the previous year. 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. In this context, we conclude that there is no precedent—at least in recent decades—for the current shock to tourism in the Caribbean region.

Shock Scenarios and Simulations

Given that the shock to tourism driven by the COVID-19 outbreak is without precedent in recent history, developing scenarios and simulations can provide some indications of potential implications. Using data discussed above, we have estimated a range of shocks to the direct contributions of tourism to real GDP for each Caribbean country (Table 3). We simulate the possible impact on output of three shock magnitudes (i.e., a reduction of tourism activity by 25, 50, and 75 percent) over three time horizons beginning on April 1, 2020 (i.e., through end-June 2020, end-September 2020, and end-December 2020).

The simulations take into account historical seasonal arrival patterns for each of the shock horizons. This is important to the exercise given the large seasonal fluctuations in tourist arrivals to the region, with increases of much as 200 percent between high seasons (generally October to April) and the lower-volume



period. In this context, should the crisis remain acute past September 2020, we would expect the effects to be considerably more severe.

Table 3. Tourism Shock Scenarios: Impact of the COVID-19 Outbreak on GDP
(Percentage point loss of real GDP relative to pre-crisis baseline estimates for 2020)

	Shock Duration	Shock Magnitude (Percent loss of tourism activity)		
		25%	50%	75%
The Bahamas	April 1 to end-June	1.3	2.5	3.8
	April 1 to end-September	2.3	4.6	6.9
	April 1 to end-December	3.5	7.0	10.5
Barbados	April 1 to end-June	0.7	1.4	2.1
	April 1 to end-September	1.2	2.5	3.7
	April 1 to end-December	2.2	4.3	6.5
Guyana	April 1 to end-June	0.2	0.3	0.5
	April 1 to end-September	0.3	0.6	0.8
	April 1 to end-December	0.5	0.9	1.4
Jamaica	April 1 to end-June	0.6	1.2	1.8
	April 1 to end-September	1.1	2.2	3.3
	April 1 to end-December	1.8	3.6	5.4
Suriname	April 1 to end-June	0.1	0.1	0.2
	April 1 to end-September	0.1	0.3	0.4
	April 1 to end-December	0.2	0.4	0.6
Trinidad & Tobago	April 1 to end-June	0.2	0.3	0.5
	April 1 to end-September	0.3	0.6	0.9
	April 1 to end-December	0.5	1.0	1.5

Sources: Authors' calculations based on data from The Bahamas: Tourism Today Report; Barbados: Department of Statistics; Jamaica: Bank of Jamaica and Jamaica Tourist Board; and, the World Bank / World Travel and Tourism Council (WTTC).

Notes: Shocks applied to the WTTC's estimates for the direct contribution of tourism to countries' real GDP (2018/19).

Impact is seasonally adjusted for arrivals beginning on April 1, using monthly data for The Bahamas, Barbados, and Jamaica from 2019. Average proportional monthly arrivals for these three countries are then used for seasonal adjustments applied to other countries for which monthly data were not available.

The scenarios do not, however, take into account shocks to other sectors (e.g., merchandise or commodities trade⁴), second-round effects, or possible offsetting implications of policy measures (e.g., economic stimulus). Similarly, we apply the shock to the World Trade and Tourism Council's (WTTC) estimated historical direct contributions of tourism to real GDP, which does not take into account the non-linear properties of such a shock, particularly the fact that shorter duration shocks are likely to have less severe implications for businesses (e.g., hotels, restaurants, service providers, etc.) than a prolonged crisis. For example, a short-lived shock may not require broad-based lay-offs or extended closures, which could lead to significant financial difficulties for many affected enterprises, whereas a prolonged shock could force businesses to make more severe adjustments.

While the shock scenarios outlined in Table 3 are incomplete for the reasons mentioned above, they do highlight that the impacts of a short-lived crisis would be considerably less damaging than one that extends through the peak season beginning later in the year—particularly for countries with large seasonal variations. In this context, results of our simulation of a high-impact scenario of a 75 percent reduction in tourism arrivals over the last three quarters of the year suggests that real output could fall relative to the pre-crisis baseline expectation by over 10 percentage points of real GDP in the case of The

⁴ For example, the fall in oil prices, if sustained, represents a positive offsetting effect on net oil importers.



Bahamas, and by appreciable magnitudes also for Barbados and Jamaica. Note that applying these same shock scenarios to the WTTC’s estimates for the total contribution of tourism to each country’s economic output (see Table 1, above) would result in larger impacts.⁵ Countries that are less dependent on tourism would be less affected across the range of scenarios, though other channels not simulated here could also have large effects.

Shocks to Commodity-Dependent Economies

The three most significant commodities in the region are oil and natural gas for Trinidad and Tobago and now Guyana, and gold for Suriname and Guyana. The downward trajectory in oil and gas prices will hurt those commodity exporters, but it can help commodity importers—providing some relief to the countries negatively affected by the tourism crisis (Figure 3). Gold is highly volatile, but there is a tendency for its price to remain strong during times of financial turbulence. The evolution of these commodity prices will have an important impact on the external accounts of the Caribbean countries. Aluminum prices are also on a downward trajectory, which is relevant for Jamaica as it represents the largest merchandise export.

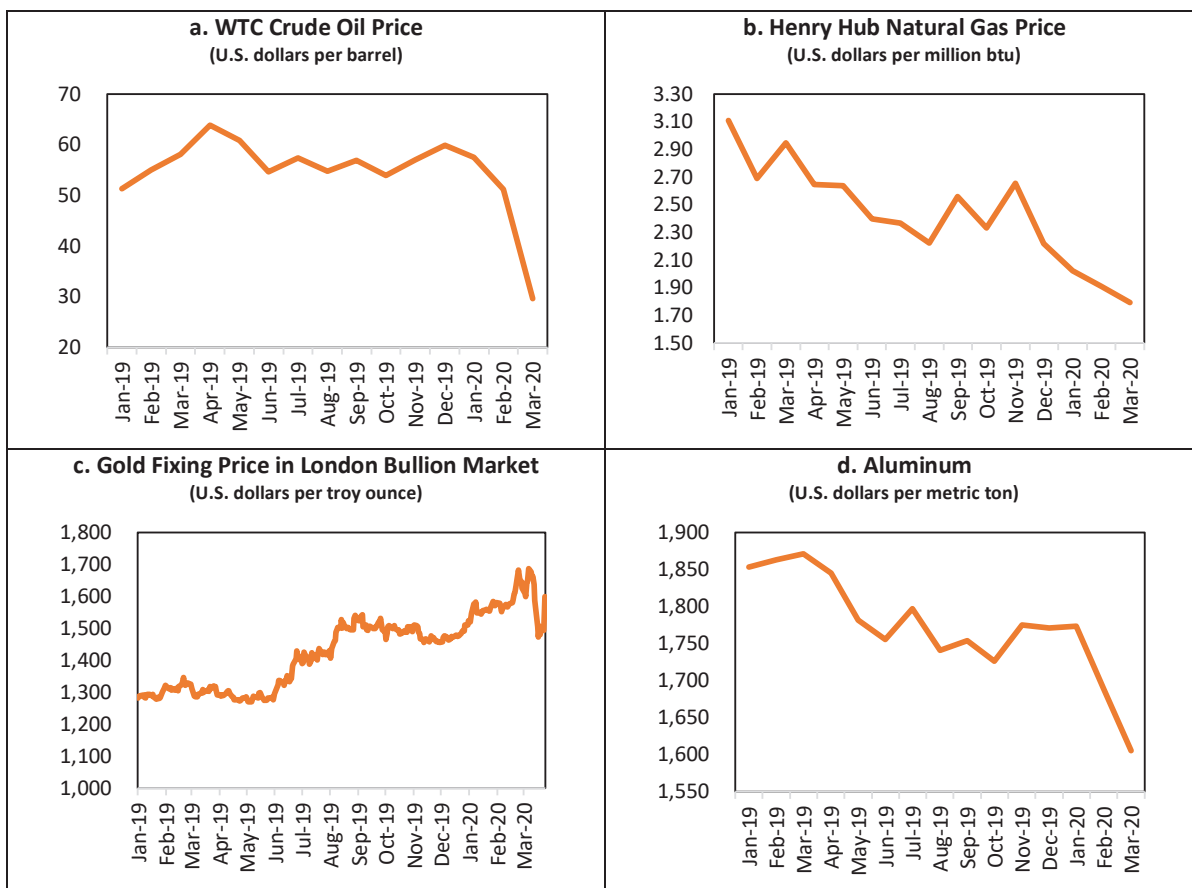
It should be noted that on the oil and gas front, there are various factors at work. Oil prices are currently under pressure for both demand and supply factors. The incipient global downturn is resulting in lower energy consumption in the largest economies. At the same time, geopolitical issues have led to a lack of agreement on production targets between OPEC countries and the Russian Federation. In particular, a sharp expansion in Saudi oil production has contributed to falling oil prices as the COVID-19 situation has unfolded.

How some of these price shocks affect the commodity-exporting Caribbean economies is discussed further in this issue in the section entitled “Putting It All Together: Economic Growth in 2020.”

⁵ See the following blog post for results of such an exercise: <https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/>



Figure 3. Key Commodity Prices



Sources: Federal Reserve Bank of St. Louis; U.S. Energy Information Administration; and Bloomberg.

Finance

As noted above, another key shock transmission channel relates to financial flows from abroad. These flows can take the form of investments (e.g., portfolio or direct investment), other financing flows (e.g., debt), or transfers (e.g., official transfers or private remittances). The impact of the crisis on both foreign and domestic economic performance and capital markets will have implications for these flows.

For example, if local businesses see earnings fall and prospects deteriorate, their financial viability and creditworthiness will ultimately affect the cost and volume of financing and investment available from abroad. Similarly, increasing risk aversion on the part of would-be foreign investors is also likely to translate into costs and other implications for funding. Finally, actual or anticipated exchange rate movements linked to the COVID-19 crisis could also affect the willingness of foreign investors and financial entities to invest. At this early stage, the above-mentioned effects of the crisis on financial flows are difficult to determine. To date, countries with flexible exchange rates in the region have not undergone any significant nominal adjustments, and data on portfolio flows since the crisis moved into a more acute phase not yet widely available.



Finally, domestic financial sources can be a substitute for external finance for government and firms in adjusting to the economic shock. This obviously depends upon the depth and stability of domestic financial systems. Domestic finance does not, however, attend to foreign currency requirements to finance the balance of payments. Each of these issues is addressed briefly below.

Government Finance

The main problem for government finance is that fiscal buffers are limited in most Caribbean countries. Countries like The Bahamas, Guyana, Suriname, and Trinidad and Tobago have experienced a rise in the public-debt-to-GDP ratio in recent years, as public deficits have persisted (Figure 4, panel a). Meanwhile, Barbados and, especially, Jamaica have reduced their public-debt-to-GDP levels, but debt burdens remain extremely high by regional and international standards (Figure 4, panel b). Trinidad and Tobago is a special case, in that it has a Heritage and Stabilization Fund (HSF), with assets of about 28 percent of GDP. As the name implies, the HSF serves a dual role: saving oil wealth for future generations while also providing a source of funding for short-term stabilization. Other Caribbean countries do not have access to such resources; however, Guyana's situation is changing rapidly as oil revenues start to be received.

Private Sector Finance

Firms also need finance to survive the shock, and if external finance dries up, firms can turn to domestic sources. That depends, though, upon the degree of development of the domestic financial system. One summary indicator is the extent of domestic credit to the private sector as a share of GDP. Panel c of Figure 4 shows that financial sector development varies substantially across Caribbean countries. In some cases, the low share of domestic credit to the private sector is partially due to the still large share of banking sector assets held as government debt. In other cases, it may be due to regulatory and institutional failings that inhibit the growth of the financial system.⁶

Extending credit excessively can be a risk factor. However, in general terms, Caribbean banks are well capitalized. Panel d of Figure 4 presents a summary measure of this dimension. The indicator measures whether the capital requirement reflects certain risk elements and deducts certain market value losses from capital before minimum capital adequacy is determined. Larger values of this index of bank capital regulation indicate more stringent capital regulation. Countries with higher levels of capital stringency have adopted at least the Basel II standards and cover credit and market risks in their current minimum regulatory capital requirements.⁷ The results suggest that The Bahamas, Barbados, Guyana, and Trinidad and Tobago have higher levels of capital stringency compared to Jamaica and Suriname. Overall, Caribbean countries have higher levels of capital stringency compared to the average for Latin American countries (LATAM).

Balance of Payments Financing

All six countries examined in this issue are open economies, that depend crucially on imports for consumption, intermediate inputs, and for capital goods. Of particular concern is the dependence on imported food. As noted in a report by the Food and Agriculture Organization (FAO 2015, Executive

⁶ For a broader discussion of related issues, see Mooney (2018).

⁷ This indicator derives from a survey of banking sectors conducted by economists from the IDB's Caribbean Department, based on the World Bank's 2019 Bank Regulation and Supervision Surveys.



Summary p. x): “Almost all CARICOM countries import more than 60 percent of the food they consume, with half of them importing more than 80 percent of the food they consume.”

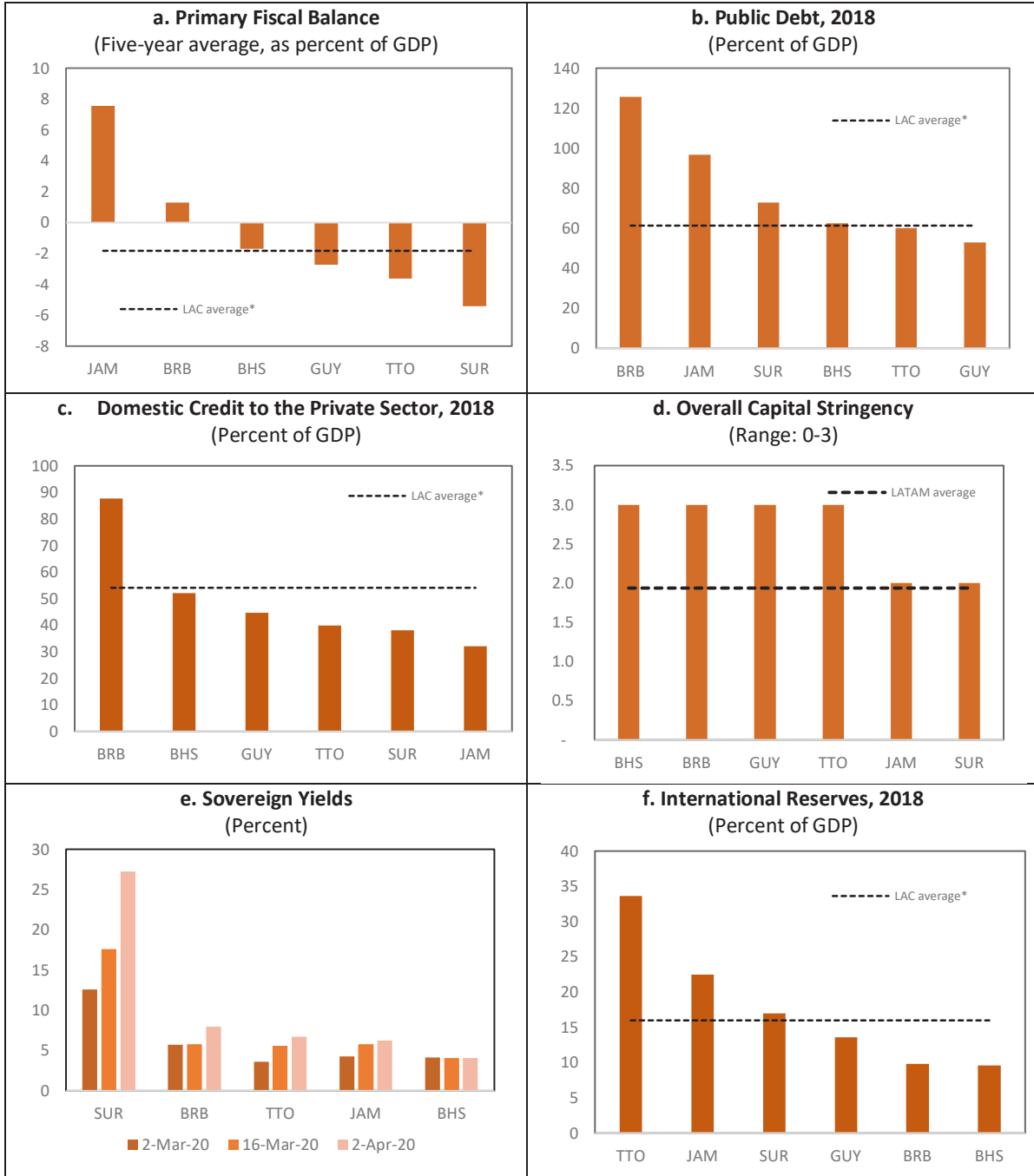
Foreign currency is needed to purchase imports and to service external liabilities. The previous section presented the scenarios for the likely negative shocks to export earnings from tourism services. In brief, the tourism shock this year could imply one of the largest declines in foreign currency earnings ever experienced by the tourism-dependent economies. Balance of payments financing could become critical.

In addition, several of the Caribbean countries receive foreign currency through migrant remittances (Box 1). These could be at risk as unemployment rises in migrant host countries—predominantly, the United States, United Kingdom, Canada, and the Netherlands (for the case of Suriname).

One indicator that suggests that access to external finance is tightening is the fact that bond yields have increased on secondary markets for the Caribbean countries (Figure 4, panel e), with the exception of The Bahamas. As in the case of government finance, financial buffers vary across the Caribbean countries (Figure 4, panel f), with relatively high levels of international reserves in Trinidad and Tobago and Jamaica, but less so in The Bahamas and Barbados.



Figure 4. Financial Considerations



Sources: IDB Finance Department; and World Bank, World Development Indicators.

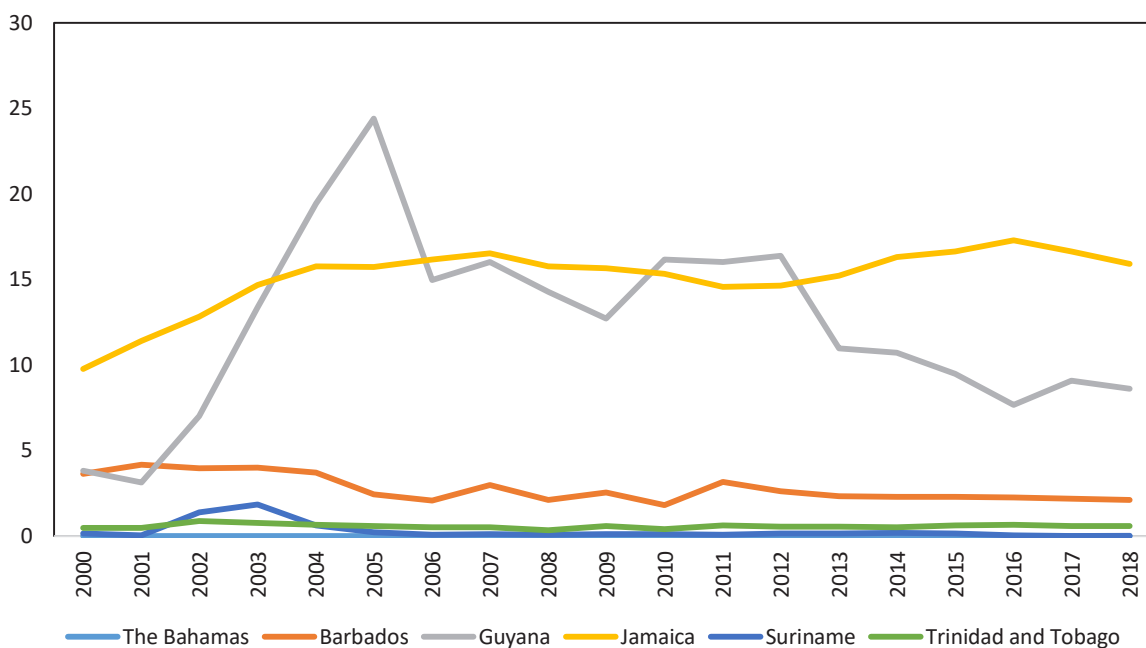
Notes: *Latin America and the Caribbean (LAC) average. **Unweighted average, The Bahamas.



Box 1. Remittances to the Caribbean

One key financial channel given its significance for several Caribbean countries is remittances. Private remittances from abroad have long served as important sources of foreign exchange for countries like Jamaica, Guyana, and to a lesser degree Trinidad and Tobago, Barbados, and Suriname. These remittances have grown considerably over the past two decades, reaching as much as 15 percent of GDP for both Jamaica and Guyana over that period (Figure 5). Note that these data also underestimate the true volume of remittances flowing into the region, as what we are able to capture reflects funds flowing into countries from abroad via licensed financial institutions such as banks, wire transfer companies, etc. It is likely that a substantial volume of these funds are sent via other unregistered means (e.g., the mail, physically transported over the border, etc.).

Figure 5. Remittances to Caribbean Countries, 2000–2018
(Percent of GDP)



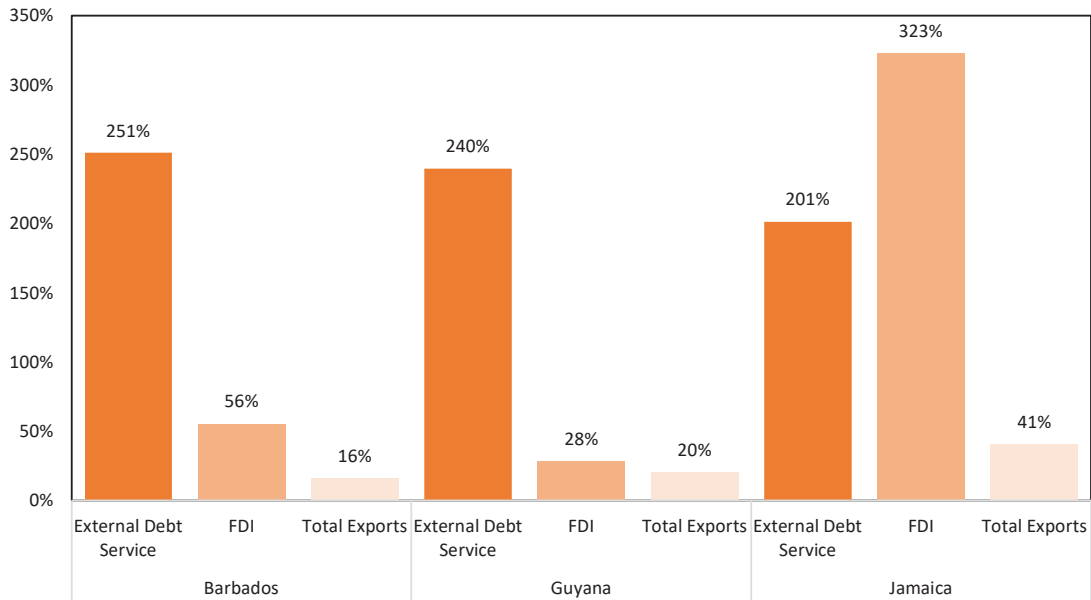
Source: Authors' calculations based on data from the World Bank, World Development Indicators databases.

Notes: Data not available for The Bahamas. Remittances data are only available for funds transferred via the formal financial system (e.g., banks, money transfer services) and that are reported to the central bank. Physical transfers (e.g., cash mailed or carried from abroad) may also represent an important source of remittances. For example, household survey data from Suriname suggest that remittances may be more significant than captured in the official data.

Another important role of remittances for Caribbean economies is as a source of financing for the balance of payments (e.g., imports from and debt repayments to other countries), which has allowed countries with relatively narrow production bases and limited or volatile export earnings to consume foodstuffs, commodities, manufactured goods, and services from abroad that might not otherwise be financially feasible. In this context, remittances represented the equivalent of between 201 and 251 percent of total external debt service requirements, or the equivalent of between 16 and 41 percent of total export earnings in 2018 for Barbados, Guyana, and Jamaica (Figure 6).



Figure 6. Significance of Remittances for Caribbean Countries, 2018
(Remittances vs. external debt service, foreign direct investment, and total exports, in percent)



Sources: Authors' calculations based on data from the World Bank, World Development Indicators databases; International Monetary Fund, World Economic Outlook database; and government sources.

Note: Physical transfers (e.g., cash mailed or carried from abroad) may also represent an important source of remittances. FDI: foreign direct investment.

A growing concern today is the fact that the source of remittances to emerging economies—particularly Caribbean economies—tends to be migrants working in lower-skilled sectors and industries in advanced countries that seem most immediately and profoundly affected by the current crisis. While data are not yet publicly available regarding changes to the volume of these flows to Caribbean countries, what is clear is that unemployment claims in the United States, Canada, and other key sources of migrant remittances to the region have seen unprecedented increases in recent days and weeks. These and other shocks related to foreign exchange inflows could have significant ramifications for balance of payments sustainability and exchange rate dynamics, as well as for vulnerable citizens who depend on them most.

Putting It All Together: Economic Growth in 2020

To sum up, the analysis for this special edition of the *Caribbean Quarterly Bulletin* has employed a variety of techniques to simulate the potential impact of the coronavirus crisis on growth. Projecting actual growth rates for the rest of 2020 is almost impossible, as noted above, but one can do simple simulations that provide information on just how bad the situation could get.

Tourism-Dependent Economies

The approach used for the tourism scenarios presented earlier has been validated by a separate exercise using vector-autoregression techniques that result in a similar range of values. We have also deployed other techniques in other countries, including general equilibrium models for Barbados, with results that will be published in the coming weeks.



At this writing, the tourism sector in Caribbean countries is almost completely shut down. The analysis presented previously suggested that a sustained six-month disruption of tourism, on the order of a 75 percent decline in tourism receipts, would lead to double-digit declines in economic growth for The Bahamas, Barbados, and Jamaica.

In addition to the various scenarios with fixed durations and magnitudes presented earlier, we have also simulated two alternative recovery paths representing possible trajectories for tourism flows to the region: a rapid recovery, and a delayed recovery (Table 7). The rapid recovery scenario envisions a 75 percent reduction of tourism flows relative to 2019 during the second quarter (Q2) of 2020, followed by a recovery to 50 percent in Q3, and a return to 100 percent of the level observed in 2019 for Q4. A delayed recovery scenario envisions a full cessation of tourism across all Caribbean countries during Q2, followed by a 75 percent reduction during Q3, and a 50 percent reduction during Q4. Though all caveats mentioned above remain applicable, these scenarios underscore that a crisis whose apex is reached earlier in the year—that is, before the beginning of the peak season in the fourth quarter—could be considerably less damaging than one that remains acute through the end of the year.

Table 7. Simulated Recovery Paths for Tourism
(Percentage point loss of real GDP relative to pre-crisis baseline estimates for 2020)

	Rapid Recovery	Delayed Recovery
The Bahamas	3.5	10.5
Barbados	1.9	6.2
Guyana	0.4	1.3
Jamaica	1.7	5.3
Suriname	0.2	0.6
Trinidad & Tobago	0.5	1.4

Sources: Authors' calculations based on data from The Bahamas: Tourism Today Report; Barbados: Department of Statistics; Jamaica: Bank of Jamaica and Jamaica Tourist Board; and, the World Bank / World Travel and Tourism Council (WTTC).

Notes: Shocks applied to the WTTC's estimates for the direct contribution of tourism to countries' real GDP (2018/19). Impact is seasonally adjusted for arrivals beginning on April 1, using monthly data for The Bahamas, Barbados, and Jamaica from 2019. Average proportional monthly arrivals for these three countries are then used for seasonal adjustments applied to other countries for which monthly data were not available.

As noted above, one compensating factor for these tourism-dependent economies is that they are oil importers. Savings from lower oil prices would provide fuel cost savings to these economies.

Commodity Exporters

In oil and gas producing economies, the key factor is the commodity price decline. A good example is Guyana. The International Monetary Fund (IMF) projected GDP growth of 86 percent for Guyana in 2020, based on oil production starting in 2020 at a rate of approximately 102,000 barrels/day (bpd). Oil exports were valued at US\$2.4 billion, and oil-related government revenue of US\$230 million. But this projection assumed an oil price of US\$64 per barrel. The WTI oil price was trading at about US\$24 per barrel on the afternoon of April 8, 2020. The first of five expected shipments for 2020 was transacted in February at a price of US\$55 per barrel. But given current events, what will happen for the rest of the year? One simple simulation with oil at US\$20 per barrel leads to economic growth that is half of what was projected by the IMF last fall, with similar effects on government oil-related revenue.

In Trinidad and Tobago, gas production outstrips oil production tenfold in equivalent barrels of oil. Based on December 2019 production (3.4 billion cubic feet per day), gas production in 2020 is estimated at 1.25



trillion cubic feet. For April to December, gas production would amount to 933.3 billion cubic feet. Taking the IMF's 2020 gas price of US\$2.7/mmbtu, the value of gas exports for April-December is estimated at US\$2.51 billion. However, assuming a gas price of US\$1.8/mmbtu, which is the government's working assumption, the value of gas exports would drop to US\$1.67 billion, corresponding to a 33 percent drop in the value of gas exports. Assuming a gas price of US\$1.6/mmbtu, the value of gas exports would drop 40 percent. Natural gas and oil exports together add up to about 18 percent of GDP. The knock-on effects of lost income and potential decline in sector investments could have a large effect on economic growth this year.

Suriname is a net oil importer, but oil sector production still represents an important part of GDP and could be negatively affected in ways similar to Trinidad and Tobago and Guyana. On the external front, the price of gold, Suriname's largest commodity export, has remained high relative to a couple of years ago, but somewhat below the peaks experienced during the height of the European banking crisis (2012–2013), and this helps support exports. That said, there are domestic factors surrounding the ongoing crisis, along with political uncertainty, that are negatively affecting the economy in the near term.

Domestic Factors

As noted above, the world is in uncharted territory in terms of the degree of social distancing that is being implemented globally. As mentioned in the introduction, the duration of these actions is difficult to predict and the corresponding economic impact extremely difficult to forecast. In addition to net export effects discussed above, domestic consumption, investment, and government spending are all already being affected by social distancing policies. Government spending may be impacted by the decline in government revenues. If sufficient financing is not available to make up for the revenue loss, then expenditure cuts could become inevitable.

One way to get some idea of the dimension of the issue is to examine the size of the “face-to-face industries.” These industries are not always clearly well-defined, but, for example, consider the following industry shares of GDP in Trinidad and Tobago: administrative and support services (4.6 percent), education (2.6 percent), accommodation and food (1.7 percent), and arts and entertainment (0.2 percent). Together these industries represent 8.6 percent of GDP. Another way of looking at the problem is through employment shares. For example, nearly one-third of workers in Suriname are either in the “services and sales” category or “elementary occupations” category, which include manual tasks like housekeeping, persons who sell off of street carts, and others who are suffering dearly during the social distancing episode. Many people in these professions are among the most vulnerable economically. Social distancing is a domestic factor that is vitally necessary to avoid a human and economic catastrophe, but it comes with its own economic, social, and fiscal costs in the short run.

Finally, there are other idiosyncratic issues in individual countries. Suriname is experiencing great volatility in the foreign exchange market, with international reserves heavily depleted. This is having negative effects on the functioning of the financial system, and all this is mixed with investors' concerns about the upcoming election. In Guyana, the March 2 election results are still disputed. Finally, natural disaster risks remain relevant for all these countries, and the hurricane season is just around the corner.

A Synchronized Contraction Across Caribbean Countries?

Economists everywhere have expressed concerns about a synchronized recession in large countries. The bottom line is that there is a high probability of a synchronized contraction among the six Caribbean



countries, with the likely exception of Guyana. However, even in Guyana, the direct impact of the coronavirus could still play a role, as social distancing is gradually ramped up. In addition, political uncertainty there may eventually take a toll on the local economy.

Policy Options

What can be done? Obviously, the first priority is to “flatten the curve” and contain the coronavirus. Social distancing is of particular importance given the limited number of intensive-care facilities in Caribbean countries. It is critical to keep the human capital stock healthy for when the crisis is over.

In terms of fiscal, monetary, and social policies, there are numerous actions that have already been announced by the Caribbean governments (Table 8). They range from tax instruments to targeted spending and financial relief for small enterprises. One idea that might be worth considering is to tax the windfall from lower oil prices as a revenue source for targeted support to affected people and businesses. Depending upon the organization of oil imports and the electricity sector, one could either directly tax the imported oil or apply fuel taxes at the pump and tax surcharges on electricity provision.

On the social policy front, one message for policy design, from a macroeconomic perspective, is to make policies both “targeted and temporary.” Given limited fiscal space, escape clauses for the post-crisis phase are critical. On the targeting side, the quality of data is critical. That said, there are proxy means for targeting in cases where data are insufficient for more precise means. For more information on social policy options please see a forthcoming brief from the IDB.⁸

The Country Summaries below provide information on the policy options and constraints for each country in the face of the COVID-19 outbreak. Each section also summarizes the policy actions already announced or being implemented.

In addition, Table 8 (below) summarizes the macroeconomic policy options and constraints and report on the level of implementation in the Caribbean countries. We will be tracking these policies moving forward and conducting more in-depth analysis that we hope will inform the policy debate. For instance, work is ongoing on tracking the macro impacts of the crisis down to the household level. We are also starting more in-depth work on the design of fiscal and expenditure policies.

⁸ The Spanish version is available at: <https://www.iadb.org/en/coronavirus/safety-nets-vulnerable-populations>.



Table 8. Policy Options in Caribbean Countries

(Red implies policies already announced and/or being implemented as of April 6, 2020)

Fiscal Policy Option	The Bahamas	Barbados	Guyana	Jamaica	Suriname	Trinidad and Tobago
Tax relief for affected sectors	X			X		X
Targeted increase in social spending	X	X	X	X	X	X
Seek lower cost financing from IFIs	X	X	X	X	X	X
Reinforce prioritization of capital spending (avoid blanket cuts)	X	X	X	X	X	X
Financial support for SMEs	X	X	X	X	X	X
Escape clause of existing fiscal rule/Emergency Fund			X	X		X
Fiscal Policy Constraints						
Limited fiscal space	X	X		X	X	
Political cycle			X	X	X	X
Buffers needed for potential natural disasters	X	X	X	X	X	X

Monetary Policy Options	The Bahamas	Barbados	Guyana	Jamaica	Suriname	Trinidad and Tobago
“Follow the Fed”: Lower policy rates		X		X		X
Lower reserve requirements	X	X		X	X	X
Monetary Policy Constraints						
Fixed exchange rate limits policy maneuverability	X	X	X		X	
High level of non-performing loans limit policy transmission			X		X	
Low level of international reserves					X	
Zero lower bound				X		

Source: IDB Caribbean Department.

Notes: IFIs: international financial institutions; SMEs: small and medium-sized enterprises.



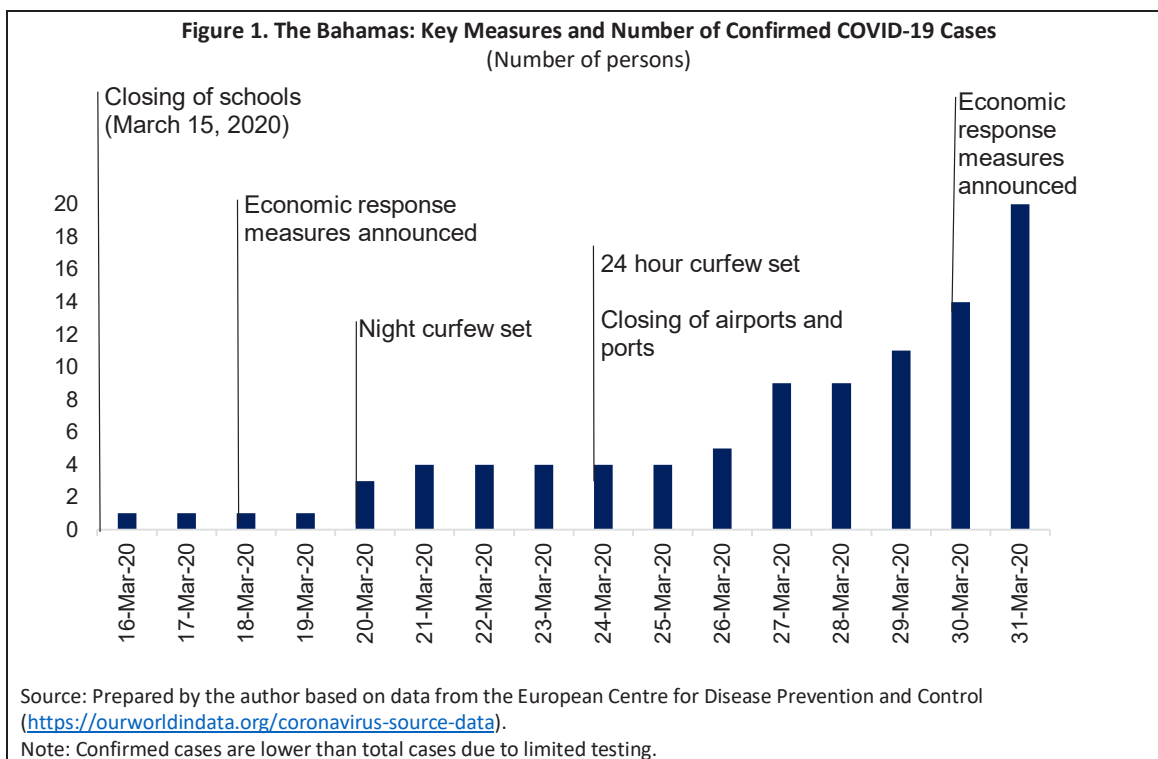
PART 2. COVID-19 UPDATE: COUNTRY SUMMARIES

The Bahamas

Laura Giles Álvarez

The Coronavirus Outbreak and Government Actions to Prevent Transmission⁹

The Bahamas has experienced a rise of confirmed COVID-19 cases, reaching 21 as of April 1, 2020, the same day the country reported its first death related to the virus (Figure 1). There seems to be an increasing number of isolated cases on different islands, and some infected persons did not have recent travel histories, which suggests that the number of cases will likely continue rising.



The government of The Bahamas quickly responded to the pandemic, prioritizing social distancing measures to reduce the spread. International travel for passengers has been halted, as all airports and seaports for passengers, seafaring, and private boating have been closed. Domestic travel has also been restricted except for the transport of freight. Schools and education institutions have been closed since March 15, 2020 and, a full curfew has been in place since March 24, 2020, which will remain in effect until at least April 8, 2020. A complete lockdown was announced on April 6, 2020.

Economic Growth Prospects: Then and Now

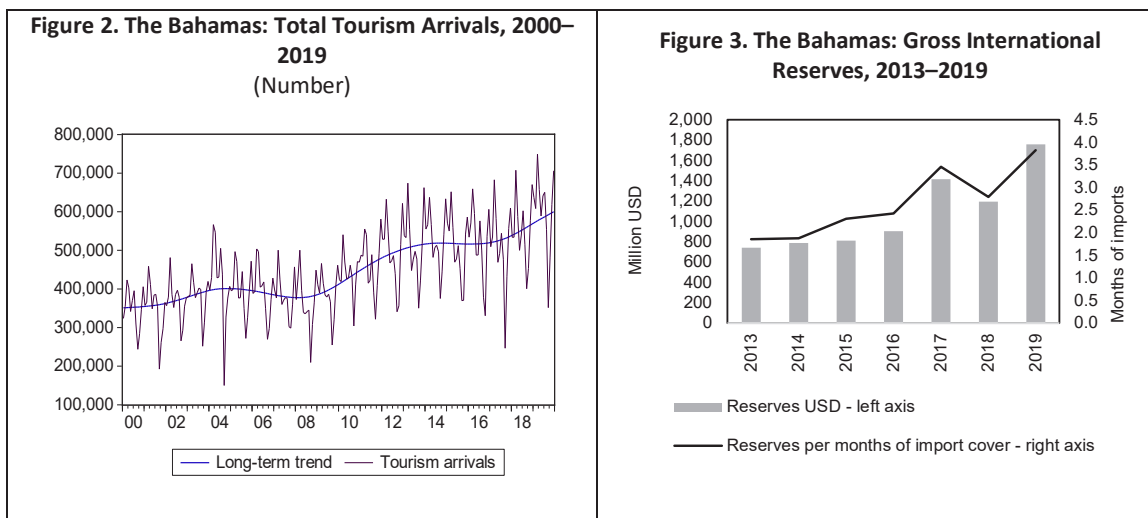
The Bahamas, which had already experienced a negative shock to growth due to Hurricane Dorian in the last quarter of 2019, will likely contract substantially in 2020 as a result of COVID-19. The country is

⁹ All data in this section are dated up to April 1, 2020.



vulnerable to external shocks. The Bahamian economy is closely linked to the U.S. economy through its main economic activities, including tourism and real estate. Prior to COVID-19, the real GDP growth forecast for 2020 had already been revised from 1.7 percent to -0.6 percent due to the effect of Hurricane Dorian. The authorities now expect a more significant contraction in 2020. Although the extent of the contraction remains unclear, the authorities announced that the total economic impact could range between US\$258 million and US\$1 billion (or about 2 to 8 percent of annual GDP) through June 2020.

The main shock transmission channel in The Bahamas is the tourism sector. Tourism is a key industry for the economy, directly accounting for 11 percent of GDP in 2018. Tourism receipts reached 77.2 percent of exports and 27.2 percent of GDP in 2018. In 2019, 82 percent of visitors originated from the United States, followed by Canada and Europe (each of which accounted for 7 percent of all visitors). Cruise arrivals accounted for approximately 75 percent of total arrivals in 2019. Tourism arrivals peak between December and April every year, coinciding with Christmas and spring holidays in the United States, and are lowest between August and October (Figure 2).



Sources: Tourism Today Report (<http://www.tourismtoday.com/services/statistics/foreign-air-sea>); and the Central Bank of The Bahamas.

Other key sectors for the economy could also be negatively affected by a global economic slowdown. For example, real estate activities (accounting for 18 percent of GDP in 2018) are driven by luxury properties and vacation rentals that are mostly used by foreigners. The wholesale and retail sector (with accounted for 12 percent of GDP in 2018) could also be negatively affected by lower tourism arrivals and curfews. Foreign direct investment (FDI) could decline, as key source markets such as China and the United States could face economic downturns of their own following the surge of cases in those countries. Finally, reduced labor mobility and the potential compromise of food security—considering that approximately 90 percent of food is imported in The Bahamas—could also have indirect negative externalities on growth. Although low international oil prices will provide relief at the international reserve level (as The Bahamas is a net importer of oil), the positive economic impact will be marginal given the overall stall of economic activity.



The international reserve cover will likely decrease in 2020. Reserves increased in 2019 as a result of insurance reinvestment flows (Figure 3), but lower tourism receipts and potentially lower levels of FDI will exert pressure on reserve levels, which are important to maintain the country's exchange rate peg (US\$1=BS\$1). Based on preliminary projections announced by the authorities, external reserves could decline by some US\$900 million by the end of 2020

Government Policy Response

The government of The Bahamas has been rolling out a large set of measures over the past month to respond to COVID-19, including health and safety, social, fiscal and financial measures.

Health and safety: The government approved additional financing for the health sector for detection, isolation, and treatment of COVID-19 cases. A testing lab has been set in-country and centers have been prepared for isolation. Supermarkets have opened two hours early for senior citizens to shop before the general public is given access to the stores. The Department of Environmental Health Services has been sanitizing public spaces, and individuals' mobility has been completely restricted since the full curfew has been in place.

Social: An additional US\$4 million has been allocated through the Ministry of Social Services to provide food assistance and support for displaced workers directly affected by COVID-19. In addition, US\$10 million has been allocated to provide for a temporary unemployment benefit for self-employed persons, administered through the National Insurance Board. Water and sewerage services and electricity should also be reconnected for all users. In addition, school meal vouchers are being provided for two weeks and training opportunities in the construction sector are being expanded to support rebuilding efforts.

Fiscal: All non-essential expenses for the government have been restricted, events have been cancelled, and the government has accelerated the approval process for domestic and foreign capital investment projects. Companies have been granted tax credit and medium-sized and large companies allowed tax deferrals in order to help cover payroll expenses in exchange for retaining workers. The government has allocated US\$1.8 million to support COVID-19-related expenditure in the Family Islands.

Financial: Short-term loan support of US\$20 million has been allocated to Bahamian small businesses affected by COVID-19. Domestic banks and credit unions have provided a three-month deferral of repayments on credit facilities for businesses and households, and are assessing the possibility of launching tailored products and services for individuals. The Bahamas Development Bank has also offered a three-month deferral of repayment to credit facilities.

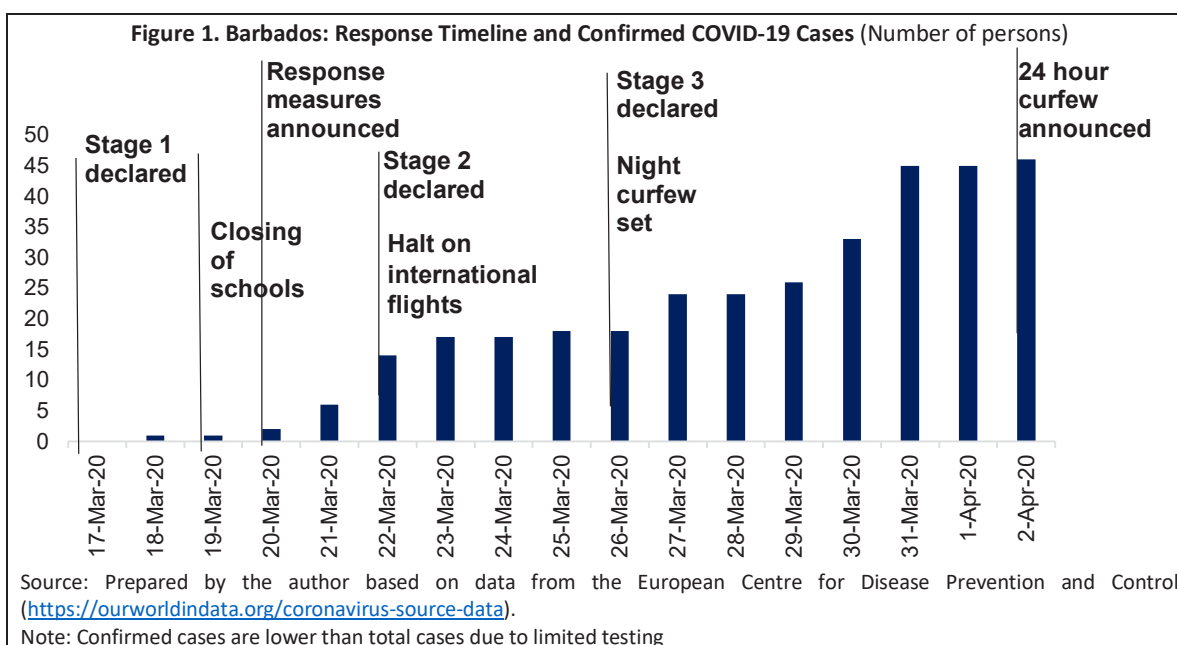


Barbados

Laura Giles Álvarez

The Coronavirus Outbreak and Government Actions to Prevent Transmission¹⁰

The number of COVID-19 cases in Barbados has been rising (Figure 1). During the second half of March 2020, Barbados saw a rapid increase in cases, reaching 46 as of April 2. Most of the recorded cases have either been imported or have resulted from the tracing efforts that have been conducted.



The government's response strategy has been divided into three stages, following guidelines from the World Health Organization. Stage 3 was activated on March 26, 2020, when a public health emergency was declared and a curfew between 8 pm and 6 am implemented for the period from March 28 to April 14, then expanded to a 24-hour curfew on April 3. Only essential services and special categories of businesses are to open during this period. All other businesses have been closed. Additional measures include the deployment of additional isolation facilities for moderate cases and the recommendation that ill workers get 5-7 days without requiring a sick leave form. In addition to these measures, on March 22 the government announced a halt to most international flights until May, leaving the country with minimum international transport services that are now mostly focused on cargo.

Economic Growth Prospects: Then and Now

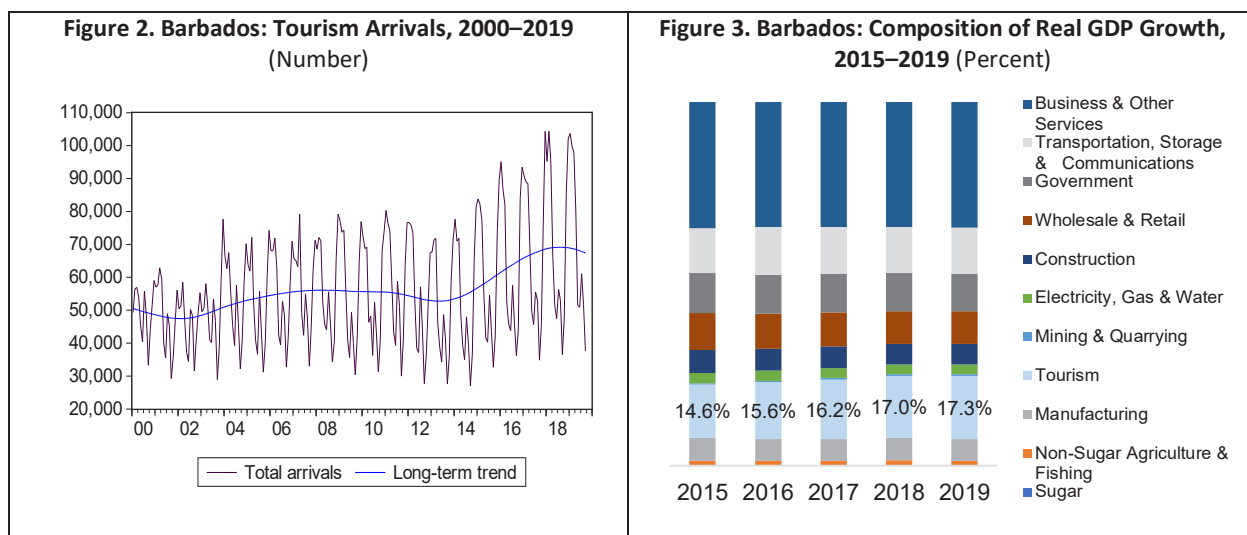
The externalities of COVID-19 will have strong negative effects on economic growth in Barbados. Being a small island state, the country is highly vulnerable to external shocks, particularly to its main tourism source markets, Canada, the United Kingdom, and the United States. Forecasts prior to the COVID-19 crisis estimated real GDP growth of 0.6 percent for 2020. However, the authorities now expect the economy to severely contract. Lower growth prospects also pose a serious risk to continued achievement of the

¹⁰ All data in this section are dated up to April 2, 2020.



structural benchmarks under the External Fund Facility (EFF) program with the International Monetary Fund (IMF).

The main shock transmission channel is the tourism sector. Tourism is the main driver for growth and the main source of foreign exchange, accounting for 17.5 percent of GDP in 2019 and directly employing over 12 percent of the labor force. Although the high season spans between November and March (peaking in December; see Figure 9), tourism remains an important source of economic activity until September. Wholesale and retail sectors, which accounted for almost 10 percent of GDP in 2019, could also be adversely impacted by lower demand resulting from the decline in tourism arrivals and the curfew (Figure 10).



Sources: Central Bank of Barbados (<http://www.centralbank.org.bb/research-publications/statistics>).
Note: Tourism arrivals in 2019 only include January–September.

Investment levels and international oil prices will also have effects on the economy in the next few months. Investment levels could fall if countries like the United Kingdom, the United States, or Canada face strong downturns in their economies. Foreign direct investment (FDI) declined from 4.4 percent of GDP in 2018 to 3.5 percent of GDP in 2019. Lower tourism receipts and FDI will also have a negative effect on the level of international reserves, which stood at 19 weeks of the import cover in March 2020. Although low international oil prices will provide relief to the level of international reserves (as Barbados is a net importer of oil), the positive economic impact will be marginal given the overall reduction in economic activity.

Government Policy Response

On March 20, 2020, the Prime Minister announced a broad package of support measures. These are divided into social, monetary and financial policy measures:

Social policy measures: The government approved additional funding for the purchase of medical supplies and medicines. The government has also identified a basket of goods that will be monitored to ensure adequate supply levels and prevent hoarding and price increases. The Barbados Water Authority has been asked to reconnect the water supply for households that had it cut off, the “Homes for All” Project has

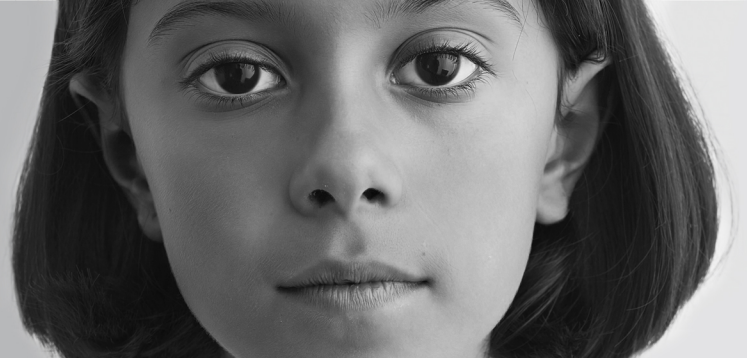


been prioritized, and agricultural food production is being increased. A total of US\$10 million has been allocated for social assistance. There will be an increase in the transfers paid by the Welfare Department, and the Household Survival Program will be prioritized. A social fund called the “Adopt a Family Fund” has also been established and is targeting donations from corporate and private citizens. There will also be care packages distributed to 3,000 vulnerable families. A one-stop shop has been established to ease the process of filing for unemployment benefits. In addition, the authorities have announced their intention, if required, to recapitalize the unemployment fund.

Monetary policy measures: From April 1, 2020, the Central Bank of Barbados reduced its discount rate for overnight lending from 7 percent to 2 percent, it reduced the securities ratio for banks from 17.5 percent to 5 percent and eliminated the 1.5 percent securities ratio for non-bank deposit taking licensees. The Central Bank also announced its intention of collateralizing loans for up to six months as liquidity support for licensees, if required.

Financial policy measures: Commercial banks will offer a 6-month payment moratorium on loans and mortgage payments for persons and businesses directly impacted by COVID-19, as well as the development of further options to support borrowers’ cash flows and short-term liquidity challenges. The small hotel investment fund is also being recapitalized with US\$10 million and a US\$0.5 million fund to support arts and sports development is being set aside.

The authorities have requested additional financing support from international financial institutions. This includes the possibility of extending the IMF EFF envelope by US\$100 million, to US\$390 million, and disbursing a US\$80 million policy-based loan from the Inter-American Development Bank. The targets and structural benchmarks under the program for FY2020/2021 with the IMF are being renegotiated.



Guyana

Victor Gauto

The Coronavirus Outbreak and the Government Response to Prevent Transmission

After spreading through Asia, Europe, the United States, and South America, the coronavirus arrived in Guyana on March 11. According to the World Health Organization (WHO) Situation Report, at the time there were 80,955 confirmed cases in China, 10,149 cases in Italy, and 696 cases in the United States. There were still relatively few cases in Latin America and the Caribbean, totaling 138, including one case in Jamaica. As of April 2, Guyana had identified 19 cases, including four deaths, while the coronavirus pandemic has continued to spread in the rest of the world.

In Guyana, the health situation has been compounded by unresolved regional and presidential elections that were held on March 2 and that have been mired in a legal dispute regarding the outcome. Despite this challenging political environment, the government adopted policies to stop the spread of the coronavirus. The main measures include (1) the suspension of all school activities beginning on March 16, initially for two weeks and later extended to three weeks, which leads into a two-week Easter vacation; (2) the closure of the two international airports, initially for a two-week period and currently extended to May 1; (3) granting of special powers to the Ministry of Health to prevent and control the spread of the disease, including designating special facilities to isolate and treat the ill and restrict at-risk people's movement; and (4) on April 3, the government announced a month-long restriction on public gatherings and movement which includes only essential services remaining open and a curfew between the hours of 6 pm and 6 am. There are currently six confirmed cases under mandatory institutional isolation and thirty-four other at-risk people under institutional quarantine. The Ministry of Health performed a total of 110 tests.

Economic Growth Prospects: Then and Now

Economically, the coronavirus pandemic is coupled with the oil production conflict between Saudi Arabia and Russia that has recently led to extraordinarily low oil prices. Guyana began producing oil in December 2019, and variations in oil prices along with the coronavirus pandemic are expected to have deep implications for the country's revenue outlook and GDP growth estimates for 2020. The International Monetary Fund (IMF) originally estimated that Guyana's oil production would contribute to achieving oil exports worth US\$2.4 billion, oil-related government revenue of approximately US\$230 million, and a GDP growth rate of 86 percent on an assumed price of oil of US\$64/barrel (IMF 2019b). The government of Guyana made a sale of 1 million barrels of oil in mid-February as part of its profit-sharing agreement with ExxonMobil, earning US\$55 million. The government is expected to make four more sales in 2020, potentially at much lower prices.

Under oil price scenarios varying between US\$20/barrel and US\$35/barrel, the estimated value of oil exports (US\$ 2.4 billion) could decline by 40 to 60 percent, leading to terms-of-trade effects affecting the GDP growth estimate. Guyana's expected oil-related revenues (US\$230 million) could decline by 15 to 40 percent, which would be the main impact on Guyana from the oil price fall-out. On the other hand, some of these negative effects could be offset by improvements in the price of gold, Guyana's largest traditional export, representing 56 percent of merchandise exports in 2018 (Bank of Guyana, 2018 Annual Report). Similarly, the oil import bill would also significantly decrease, representing approximately a fifth of



expected oil exports in 2020 (IMF 2019b). Furthermore, key sectors of Guyana’s economy are susceptible to isolation and social distancing policies that the government has recommended. For example, the services sector in Guyana, which is exposed to these risks, makes up approximately 54% of the economy. The fall in the price of oil, along with the uncertainties related to the coronavirus, could contribute to a much lower rate of GDP growth than the previous estimate of 86 percent.

Government Policy Response

Guyana faces several constraints to address the impending health crisis. First, the ongoing political dispute over the election results is an impediment for designing and implementing a fiscal policy response. With Parliament currently dissolved legislation cannot be passed which affects any potential fiscal stimulus or drawing on the recently created Natural Resource Fund (NRF) to support the health sector, the private sector, or social policy providing relief to the vulnerable. This affects any potential fiscal stimulus supporting the health sector or social policy providing relief to the vulnerable. The NRF has strict withdrawal rules in place, but it does take into account the possibility of emergency financing in the event of a major natural disaster.

Despite these challenges, the government announced it would make funds available to the Ministry of Health, potentially to strengthen its preparedness in terms of testing, facilities, intensive-care capacity, and respirators. Other policies that may be important to consider include expanding cash transfer programs, especially if social distancing policies are strengthened and household incomes fall, which could contribute to reducing the risk of social unrest. Similar support for small and medium-sized enterprises could be considered. The Bank of Guyana indicates that its capacity to respond through reserve requirements or policy rates is minimal or nonexistent because of the financial sector’s generally high level of liquidity and little need to borrow (Bank of Guyana, 2018 Annual Report). The main policy response from the Bank of Guyana has asked financial institutions to provide flexibility by lowering interest rates, deferring loan payments, and promoting measures to reduce in-person transactions. Several banks have adopted these measures, including reducing opening hours and deferring loan repayments for a period of up to six months on a case-by-case basis. Supporting liquidity in deteriorating market conditions will be key.

The main recommendation for Guyana has been proposed by the World Health Organization—namely, for the country to urgently introduce more stringent measures that limit people’s movement in urban areas, movement which, before April 3, remained relatively unaltered.



Jamaica

Henry Mooney and Jason Christie

The Coronavirus and Government Actions to Prevent Transmission

As of April 8, 2020, 63 cases of COVID-19 had been confirmed in Jamaica. Despite concerted efforts by the government to stem transmission of the virus from abroad, as well as domestic measures to slow transmission within the country, it is widely expected that more cases will be identified over the coming days and months.

The government has taken an active stance in responding to the crisis. This stance can be broken down into three general categories: (1) efforts at the border; (2) measures to stem transmission domestically; and (3) policies to mitigate the impact of the shock (both in terms of health services and economic stimulus for affected sectors).

Border measures: On March 16, 2020, the government advised that all travelers from countries where there is local transmission of COVID-19 would be required to self-quarantine for up to 14 days. On March 21, the government took a more proactive step by closing Jamaica's air and seaports to incoming passenger traffic, though outgoing passengers and cargo would continue to be allowed.

Domestic measures: The government has mandated that any person displaying symptoms of the virus will be immediately isolated in facilities at a public hospital. On March 28, 2020, the government issued a public health emergency and imposed a curfew between 8 pm and 6 am through at least April 14. Only essential services have been permitted to remain open, and all other residents have been urged to stay indoors with the exception of necessary movements. Other measures include the deployment of additional isolation facilities for moderate cases, and enhanced public security measures.

Economic Growth Prospects: Then and Now

While still in its early days, the COVID-19 shock will have significant implications for Jamaica's economic performance in 2020 and beyond. Prior to the crisis, real GDP growth for FY2020/2021 was projected to be about 1.1 percent, set against the backdrop of expected strong domestic conditions and buoyant external demand for tourism and commodities (e.g., bauxite). The nature of the unfolding COVID-19 crisis is such that it is likely to affect a number of key sectors of Jamaica's economy. First among these is the tourism sector, which accounts for a very large share of both total economic output and employment (34 percent and 31 percent, respectively) (Table 1)—Jamaica ranks 16th globally in terms of countries' economic dependence on the sector (Figure 1). Tourism receipts also account for about 53 percent of total exports, or the equivalent of some 20 percent of GDP. Of the 4.3 million tourist arrivals in 2017, about 43 percent were from cruise ships—the sector most directly and profoundly affected by the crisis. In addition, a large proportion of tourism arrivals to Jamaica originate from the United States, Canada, the United Kingdom, and other European countries—all of which have been hard hit by the crisis, forcing them to invoke unprecedented travel restrictions. In this context, this crisis and its implications for Jamaica's most significant economic sector are without historical precedent. Given the weight of the sector, our



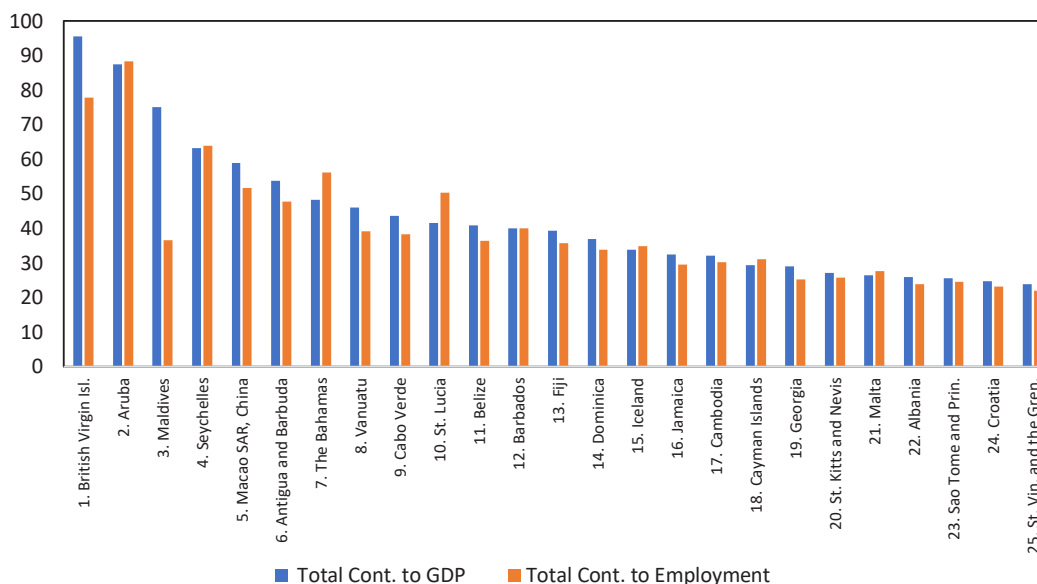
simulations suggest that a prolonged crisis could reduce output relative to pre-crisis expectations by an appreciable magnitude.¹¹

Table 1. Jamaica: Tourism Dependence (Percent)

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

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

Figure 1. Total Contribution of Tourism to GDP and Employment in Jamaica vs. Other Countries
(Percent of total; average from 2015 to 2019)



Source: Authors' calculations based on data from World Bank / World Travel and Tourism Council.

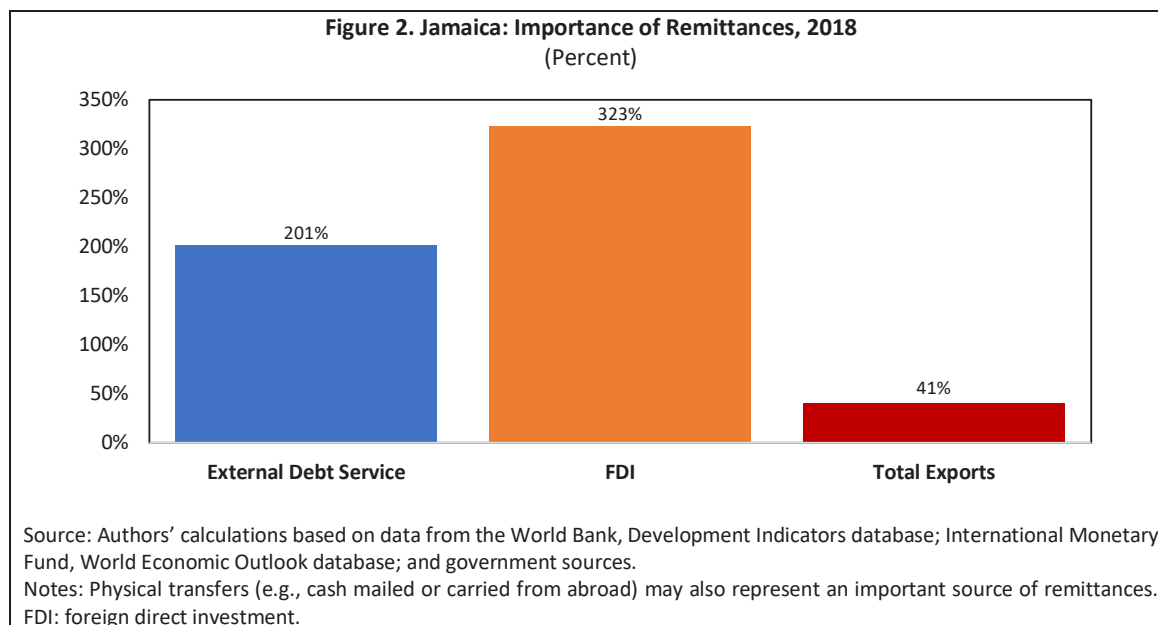
Other shock transmission channels will also affect Jamaica's economy. Beyond tourism, Jamaica's economy is likely to be adversely affected by shocks to trade and financial flows, as well as the costs associated with mitigation efforts at home (e.g., forced closures of businesses). Revenue implications of shuttered businesses and sectors, as well as costs associated with mitigation efforts, will also have adverse implications for budgetary outcomes, forcing the government to run higher deficits than originally expected. This may also require higher levels of domestic and external financing, with potential implications for the medium-term public debt reduction target set out under the fiscal responsibility law (i.e., a public debt-to-GDP ratio of less than 60 percent by 2026).

Other potential implications of the crisis relate to external financing, the availability of foreign exchange, and the balance of payments. Successful debt reduction and macroeconomic stabilization efforts in recent years have helped reduce Jamaica's external imbalances, with the current account deficit falling from about -10 percent of GDP as recently as 2012, to about -3 percent in 2019. While this has

¹¹ For a broader discussion of potential implications of the crisis for the region, see: <https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/>



helped support exchange rate stability and allowed the central bank to build strong reserves buffers, Jamaica remains highly dependent on private capital transfers from abroad in the form of migrant remittances. These remittances accounted for about 16 percent of GDP in 2018, which is the equivalent of three times the volume of foreign direct investment (FDI) from abroad, twice the magnitude of external debt service requirements, and equal to about 41 percent of the value of total exports (Figure 2). Migrant remittances also serve as an important source of income for the most vulnerable populations. In this context, there is a significant risk that the shock to employment in advanced economies that are the main sources of Jamaica’s remittances—the United States, Canada, and United Kingdom—could adversely affect these flows, which could weaken the balance of payments position, put downward pressure on the exchange rate, and have serious implications for poorer and more vulnerable citizens who depend on these funds as a key source of income.



Government Policy Response

The Bank of Jamaica and the government of Jamaica have undertaken a number of economic measures to dampen the impact of the crisis on key sectors. These measures continue to evolve in light of developments, and so far have included a broad spectrum of fiscal, financial, and other measures aimed at supporting the key sectors most directly affected. Key actions announced thus far include (1) broad-based tax cuts and related subsidies; (2) financing and grant facilities to support the most affected sectors (both businesses and persons); and (3) the suspension of import taxes for critical medical and other supplies. With respect to monetary policy, the central bank has chosen to maintain its policy rate at the pre-crisis level of 0.5 percent, and to focus instead on measures aimed at supporting domestic financial institutions, including the relaxation of rules regarding both the volume of liquidity that can be provided by the central bank (e.g., via the discount window and short-term repo facilities) and the types of assets that can be used as collateral for related transactions. Both the central government and the central bank have stated that they will continue to adapt their policy response to evolving conditions, making it likely that more stimulus and support measures will be undertaken before the crisis dissipates.



Suriname

Jeetendra Khadan

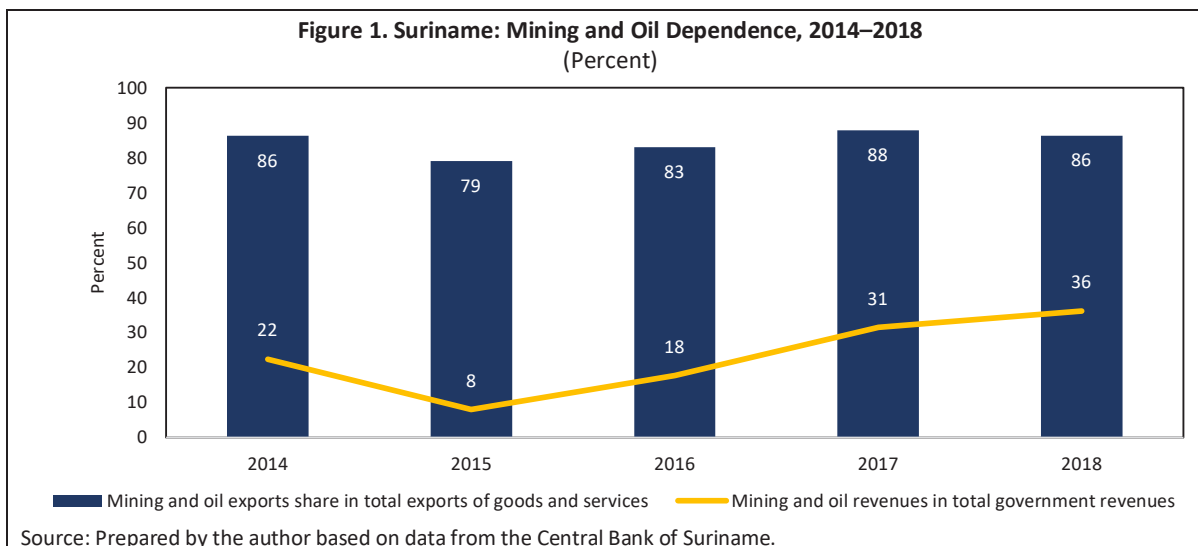
The Coronavirus Outbreak and Government Actions to Prevent Transmission

Suriname confirmed its first imported COVID-19 case on March 13, 2020. As of March 26, the authorities had confirmed a total of eight cases with 320 persons in quarantine. Up until now, all cases have been classified as imported.

The authorities acted swiftly to contain further importation of the virus and prevent community spread by imposing travel restrictions and implementing a number of social distancing measures. Measures implemented to date include the indefinite closure of all borders (land, sea, and air) and measures to facilitate the return of foreigners to their country of origin and retrieve Surinamese nationals in foreign countries. The authorities also limited social gatherings, closed all schools and universities, and restricted in-restaurant and bar dining services (take-out services are allowed). Communication of COVID-19 developments to the public occurs via a daily press conference as well as through a dedicated [website](#) and press briefings.

Economic Growth Prospects: Then and Now

Economic growth is expected to decline in 2020, affected by the ongoing shock. As discussed in the [December 2020 Caribbean Quarterly Bulletin](#), the country's economic growth was expected to continue to improve over the medium term, with real GDP growth estimated to reach 2.5 percent in 2020. However, recent developments now cast doubt on that assumption. Lower growth at best or an economic contraction at least similar to the 2015 decline (-5.6 percent) is expected for 2020.

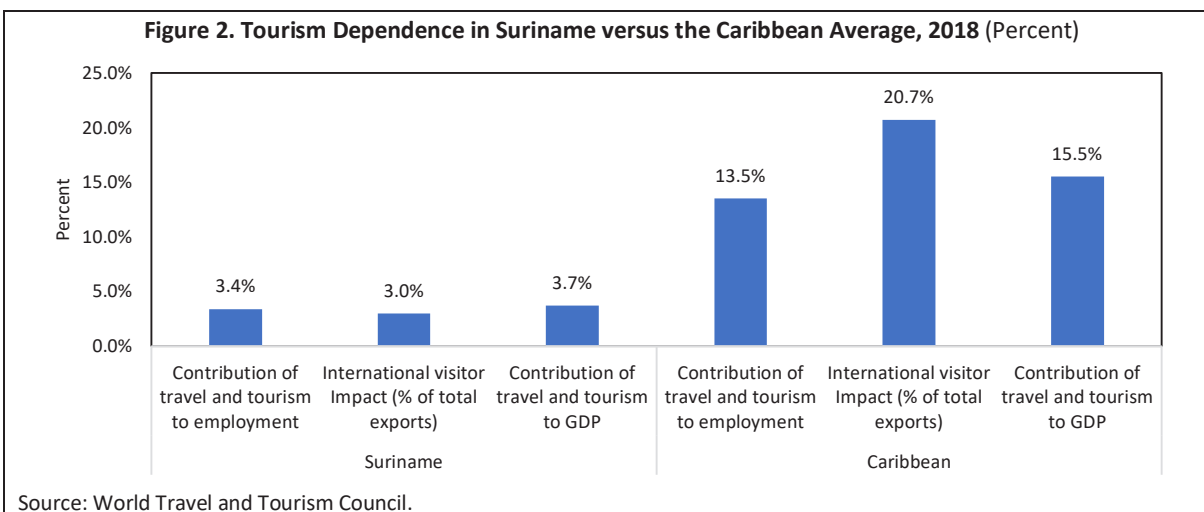


Transmission channels are varied and affect all sectors of the economy, either directly or indirectly. The main transmission channel for Suriname will be commodity prices (gold and oil), given the country's high commodity dependence (Figure 1). The International Monetary Fund (IMF) baseline assumptions for crude oil and gold prices to support economic growth of 2.5 percent in 2020 were US\$57.9 per barrel and US\$1531 per troy ounce, respectively. However, due to COVID-19-related supply and demand shocks and



tensions between Russia and Saudi Arabia, crude oil prices plummeted by 60 percent in March 2020 (compared to IMF baseline assumptions) (IMF 2019c). Gold prices have been fluctuating, with a marginal difference around the IMF baseline assumption.¹² The ongoing commodity price shock will have negative effects on growth, and could further weaken Suriname’s fiscal and external positions.

Second-round effects would occur through the impact of social distancing measures and internal and international travel restrictions. The necessary restrictions associated with social distancing globally and within Suriname could have large adverse effects on domestic economic activity, depending on how long they remain in effect. The “face-to-face” industries such as entertainment, restaurants, bars, retail, transportation, and home care services are expected to be affected the most during this period. Moreover, new investments are expected to be postponed and ongoing infrastructure projects could suffer delays in implementation, affecting economic activity in the construction sector. Although the tourism sector in Suriname is relatively small (Figure 2), there could be large effects on businesses and households that depend on the travel and tourism value chain (e.g., hotels, restaurants, transportation and tour operators).



Government Policy Response

The ongoing shock is having an unprecedented impact in advanced and emerging economies, with large spillovers expected for small open economies like Suriname. COVID-19 is causing a trade-off between public health and economic health as many countries temporarily close non-essential services and businesses and ask employees to stay at home. In that context, it would require an immense coordinated policy response—fiscal, monetary, and social policies—to first “flatten the curve” of COVID-19 and then implement a multisectoral policy response to address the resulting economic challenges. In Suriname, macroeconomic policy responses are being considered, but current policy constraints will likely cause the trade-off mentioned above between public health and economic health. Suriname’s policy options and constraints in terms of fiscal policy, monetary policy, and social policy and support for businesses are outlined below.

¹² It is expected that gold prices could further improve in 2020, which could help offset declines in other areas.



Fiscal policy: Ongoing policy discussions are focused on ensuring that the distribution of basic supplies and crucial government services and utilities continues during the COVID-19 crisis period. The authorities are also looking at measures to support the business sector. However, fiscal policy response is constrained by challenging macroeconomic conditions and a precarious fiscal position. The ongoing shock is likely to worsen the fiscal accounts through a decline in revenues (mostly oil) and also reduced tax receipts. Nevertheless, a large fiscal effort is needed to mitigate the effects of COVID-19 and support households and businesses. The trade-off here is worsening economic conditions in the short term to preserve public health. In that regard, it would be important to increase budget allocations to address the COVID-19 crisis by reorienting planned expenditure in the short run and seeking low-cost financing in order to (1) provide cash and in-kind transfers, especially for vulnerable people who are likely to lose their jobs and income during the crisis period, (2) use and strengthen the effectiveness of the social safety net to respond to the ongoing shock, and (3) pursue sector policies to ensure business survival post COVID-19, especially in the transportation, tourism, and hotels sectors, perhaps in the form of tax relief and/or working with banks to offer deferred payment options. Post-crisis policies would need to focus on restoring fiscal stability by strengthening the fiscal framework (see IMF 2019c for specific measures).

Monetary policy: A monetary policy response to the ongoing crisis is challenged by relatively high levels of nonperforming loans estimated at 12 percent of total gross loans as of the second quarter of 2018. Moreover, a de facto peg to the U.S. dollar, with a high and increasing trend in the parallel market rate (the current parallel market premium is over 70 percent),¹³ along with relatively low and falling international reserves, also constrain the policy response. Lowering reserve requirements could be an option to increase liquidity, but this (together with the required fiscal effort) could worsen the above-mentioned challenges. Nevertheless, if the ongoing crisis deepens, the authorities would have to carefully weigh the trade-offs between public health and economic health.

Social policy and support for businesses: The authorities have announced social support measures for vulnerable groups during the period. These include enhanced supervision of price speculation and advising companies not to dismiss employees during the crisis. Commercial banks have also increased withdrawal limits at automated teller machines and strongly encouraged the use of online banking. Finabank (a privately-owned commercial bank) also announced that its customers would be eligible for deferred payment on their obligations if their business operations are affected by the COVID-19 virus.

¹³ A recent amendment to the Currency Control and Transaction Offices Control Act now stipulates that only the official rate of the Central Bank of Suriname should be used in all domestic transactions. The exchange houses, banks, and the business sector are currently challenging key elements of the amended law.



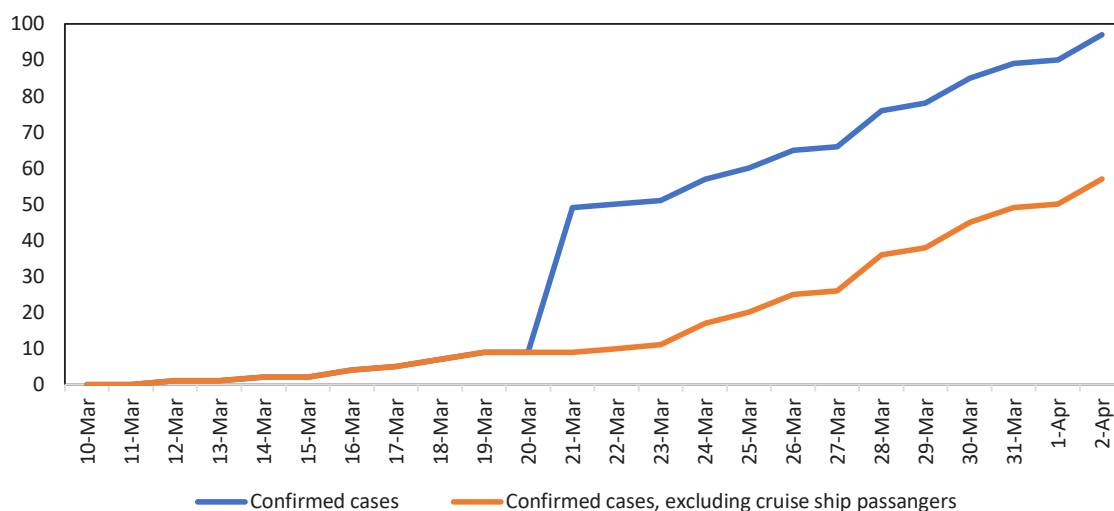
Trinidad and Tobago

Lode Smets

The Coronavirus Outbreak and Government Actions to Prevent Transmission

The COVID-19 crisis arrived relatively late in the Caribbean but is now clearly affecting the region, including Trinidad and Tobago. Figure 15 shows that the first confirmed case in the country was reported on March 12, 2020, a person with a recent travel history. On March 21, the number of confirmed cases jumped from nine—all persons with recent travel histories—to 49. The 40 persons who tested positive all came back from a cruise in the French Caribbean and were quarantined upon their return. Since then, the number of persons with COVID-19 has increased to 97 (as of April 2), including locally transmitted cases.¹⁴ Unfortunately, six deaths related to COVID-19 had been reported as of April 2.

Figure 1. Timeline of Confirmed COVID-19 Cases in Trinidad and Tobago (Number of cases)



Source: Johns Hopkins University database; and IDB country office reports.

To respond to the health crisis, the government of Trinidad and Tobago gradually increased measures to contain the spread of the virus. At the end of January, travelers from China were restricted from entering the country. Later, travelers from South Korea, Singapore, Japan, Italy, Germany, France, and Spain were added to that list. As the coronavirus crisis exploded globally, the government decided on March 16 to close its borders to everyone except Trinidad and Tobago nationals and health workers. Schools and universities were also closed until April 20. Additionally, gatherings of more than 25 persons were forbidden and religious bodies were asked to limit gatherings. All bars had to close and no in-house dining for restaurants was allowed. On March 21, the authorities announced the closure of all borders to everyone, including nationals, effective midnight on March 22, except for cargo vessels bringing food and pharmaceuticals. Finally, on March 26 the government announced that as of March 29 all non-essential activities were to cease until April 15. To enforce these measures, the police service moved its alert state

¹⁴ As 19,852 persons had entered the country via the airports since March 9—mainly coming from the United Kingdom, United States, and Canada—it is likely that the number of COVID-19 cases will continue to rise for a while, despite the stringent measures taken by the authorities.

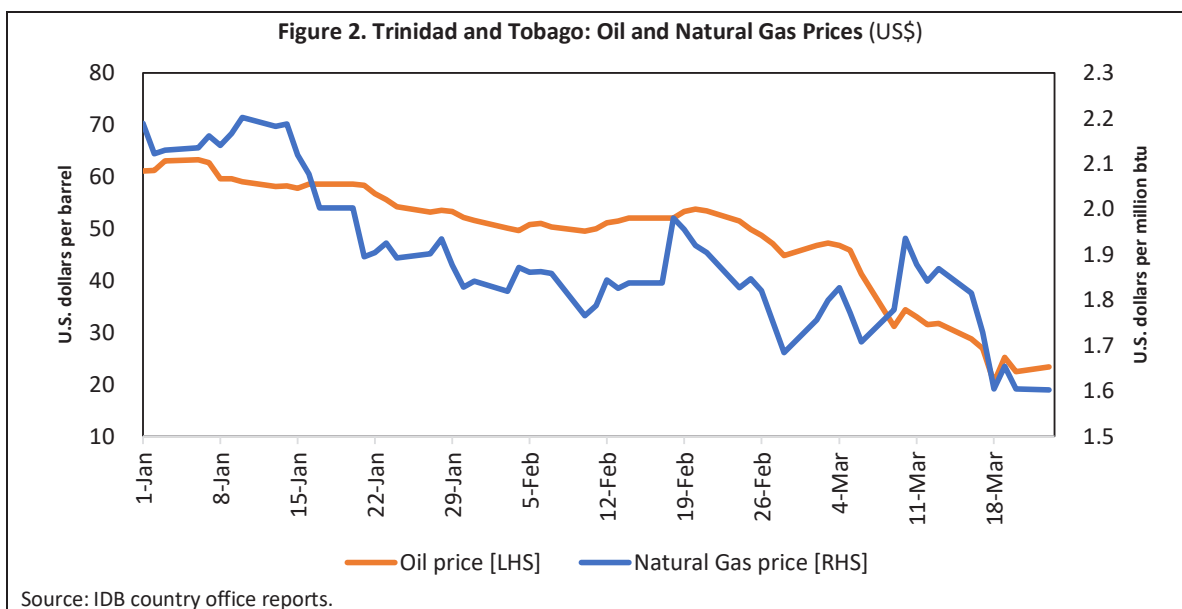


from yellow to orange, the second-highest level. This allows the police service to increase patrols on a 24/7 basis.

Economic Growth Prospects: Then and Now

The economic crisis caused by the coronavirus outbreak is unprecedented and unlike the supply shock caused by 2008–2009 financial crisis. In the current crisis, both supply and demand are affected. Due to the strict health measures, labor supply is significantly decreased and supply chains are interrupted, in addition to the severe constraints on the operations of non-essential businesses. As persons become unemployed, demand for certain goods and services will drop, leading to an additional supply shock. Producer and consumer confidence are expected to fall, leading to delayed investment and precautionary savings.

For Trinidad and Tobago, several sectors are affected. With more than 460,000 tourist arrivals in 2018, the tourism sector will be hit. Several hotels and tourist services have temporarily closed. Next, the limiting of activity to essential businesses will affect large sections of the economy, even beyond “human contact” industries such as bars, restaurants, or sports games. For instance, the construction sector and most of manufacturing are considered non-essential and will likely need to cease activity until at least April 15. Furthermore, business investment is likely to drop. One project to highlight is the La Brea Dry Dock Facility, a US\$500 million investment. The facility is scheduled to be constructed over the course of a three-year period. With the ongoing COVID-19 crisis, this large investment may be delayed. Finally, due to reduced demand for fossil fuels, compounded by an oil price war between Russia and Saudi Arabia, energy prices have dropped significantly to historic lows (Figure 2). A reduced value of energy exports is transmitted to lower GDP growth through consumption, investment, and employment effects, again lowering growth expectations.



Taken together, it is very likely that the economy will contract. Given the uncertainty in how the COVID-19 crisis will evolve, precise growth estimates are difficult. Based on a sectoral analysis, however, the



economy is now expected to contract in 2020. This expectation contrasts with the previous estimate of +1.5 percent.

To address the health and economic impacts of the COVID-19 crisis, the government has taken several measures. On the health side, budgetary resources are directed to the health sector, including for hiring additional medical personnel. Hospitals and medical facilities are disinfected on a daily basis and specific sites are dedicated to treat affected persons. Furthermore, foreign exchange is prioritized for the purchase of basic food items and medical supplies. Several economic measures have been put in place targeting both businesses and households, including accelerated value-added tax and income tax refunds, temporary deferral of loan and mortgage payments, distribution of food cards, a salary relief grant for the unemployed, rental assistance, and a grant for affected hoteliers in Tobago. On the monetary side, the central bank cut the main policy rate by 150 basis points—from 5 to 3.5 percent—and lowered the reserve requirements from 17 to 14 percent. These monetary policy actions, announced on March 17, should increase liquidity in the financial system and are expected to stimulate private sector credit (as commercial banks lowered their prime lending rates in response).

Most of the measures taken will come at a fiscal cost and additional borrowing. The authorities have already relaxed the rules of the Heritage and Stabilization fund to allow for larger withdrawals of up to US\$1.5 billion. Taking into account a drop in nominal GDP, reduced energy and non-energy sector revenues, and the COVID-19 stimulus package, calculations suggest that the overall fiscal deficit for FY2019/2020 may be between 8 and 10 percent of GDP. Outlining an economic and fiscal recovery plan for the post-pandemic period will therefore be an important step going forward.



REFERENCES

Food and Agriculture Organization (FAO). 2015. “State of Food Insecurity in the CARICOM Caribbean: Meeting the 2015 Hunger Targets—Taking Stock of Uneven Progress.” FAO, Rome.

Inter-American Development Bank (IDB), forthcoming, “Social Policies in Response to Effects of Covid-19.”

International Monetary Fund (IMF). 2019a. “World Economic Outlook.” (October 2019), Washington, DC.

International Monetary Fund (IMF). 2019b. “Guyana: Staff Report for the 2019 Article IV Consultation.” IMF Country Report 19/296 (July 23), Washington, DC.

International Monetary Fund (IMF). 2019c. “Suriname: Staff Report for the 2019 Article IV Consultation.” IMF Country Report 19/391 (November 19), Washington, DC.

Mooney, Henry. 2018. “Jamaica: Financial Development, Access and Inclusion: Constraints and Options.” IDB Policy Brief No. 301. Inter-American Development Bank, Washington DC.

Mooney, Henry and María Alejandra Zegarra; “COVID-19: Tourism-Based Shock Scenarios for Caribbean Countries.” March 16, 2020. Available at: <https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/>

Reinhart, Carmen. 2020. “This Time Truly Is Different.” Project Syndicate, March 23, 2020. Available at: <https://www.project-syndicate.org/commentary/covid19-crisis-has-no-economic-precedent-by-carmen-reinhart-2020-03>

Schmid, Juan Pedro, and Xavier Malcolm. 2014. “The Fear Factor: A Back-Of-The-Envelope Calculation on the Economic Risk of an Ebola Scare in the Caribbean.” IDB Policy Brief No. 237. Inter-American Development Bank, Washington DC.



Copyright © 2020 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<https://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode/>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

